

CITY OF PICAYUNE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**CITY OF PICAYUNE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Picayune, Mississippi as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Picayune, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the City of Picayune, Mississippi as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions on pages 8-15, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Picayune, Mississippi's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021 on our consideration of the City of Picayune, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Picayune, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter: COVID-19 Pandemic

As discussed in Note 12 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any City disruptions and related financial impact cannot be reasonably estimated at this time.

Holt & Associates, PLLC

January 22, 2021

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The following discussion and analysis of City of Picayune, Mississippi's financial performance provides an overview of the City's financial activities for the year ended September 30, 2020. The intent of this discussion and analysis is to look at the City's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2020 increased \$2,922,312 which represents a 8% increase from fiscal year 2019. Total net position for 2019 increased \$1,341,488 which represents a 4% increase from fiscal year 2018.
- General revenues amounted to \$13,163,698 and \$12,207,031 or 56% and 53% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,138,284 or 44% of total revenues for 2020, and \$10,831,271, or 47% of total revenues for 2019.
- The City had \$20,379,670 and \$21,696,814 in expenses for fiscal years 2020 and 2019; only \$10,138,284 for 2020 and \$10,831,271 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,163,698 for 2020 were adequate to provide for these programs and general revenues of \$12,207,031 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,392,144 in revenues and \$9,250,477 in expenditures for 2020, and \$9,666,265 in revenues and \$9,198,373 in expenditures in 2019. The General Fund's fund balance increased by \$817,603 from 2019 to 2020 and increased by \$92,262 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$1,262,012 for 2020 and increased by \$2,640,160 for 2019. The increase for 2020 was due mainly to capital projects.
- Long-term debt increased \$120,751 for 2020 and increased by \$4,056,456 for 2019. This increase for 2019 was due primarily to issuance of the general obligation bond. The liability for compensated absences decreased by \$9,345 for 2020 and increased by \$51,877 for 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Statement of Net Position presents information on all the City's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Fund Financial Statements

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

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

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

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

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

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,278,390 as of September 30, 2020.

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

Table 1 presents a summary of the City's net position at September 30, 2020 and September 30, 2019.

Table 1
Condensed Statement of Net Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|
| | Sept 30, 2020 | Sept 30, 2019 | Sept 30, 2020 | Sept 30, 2019 |
| Current assets | \$ 16,593,622 | 15,645,955 | \$ 10,459,803 | 8,910,850 |
| Restricted assets | 5,446,476 | 5,802,821 | 231,742 | 226,451 |
| Capital assets, net | 31,279,045 | 31,747,522 | 17,037,598 | 15,307,109 |
| Total assets | 53,319,143 | 53,196,298 | 27,729,143 | 24,444,410 |
| Deferred outflow of resources | 866,239 | 837,787 | 292,004 | 212,372 |
| Current liabilities | 6,323,693 | 6,906,404 | 5,598,355 | 6,126,991 |
| Net pension liability | 14,129,575 | 12,952,757 | 3,985,265 | 3,443,138 |
| Long-term debt outstanding | 7,007,117 | 7,846,621 | 4,884,134 | 3,285,826 |
| Total liabilities | 27,460,385 | 27,705,782 | 14,467,754 | 12,855,955 |
| Deferred inflow of resources | - | 610,711 | - | 162,341 |
| Net position: | | | | |
| Net investment in capital assets | 24,202,614 | 23,413,418 | 12,087,880 | 11,735,815 |
| Restricted | 1,758,441 | 1,855,722 | 231,742 | 226,451 |
| Unrestricted | 763,942 | 448,452 | 1,233,771 | (323,780) |
| Total net position | \$ 26,724,997 | 25,717,592 | \$ 13,553,393 | 11,638,486 |

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

- Increase in net capital assets in the amount of \$1,262,012.
- The principal retirement of \$1,833,241 of long-term debt.
- Increase to the pension liability of \$1,718,945.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Changes in net position

The City's total revenues for the fiscal years ended September 30, 2020 and September 30, 2019 were \$23,301,982 and \$23,038,302, respectively. The total cost of all programs and services was \$20,379,670 for 2020 and \$21,696,814 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2020 and September 30, 2019.

**Table 2
Changes in Net Position**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|
| | Year Ended | Year Ended | Year Ended | Year Ended |
| | Sept 30, 2020 | Sept 30, 2019 | Sept 30, 2020 | Sept 30, 2019 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 1,226,076 | 1,268,312 | \$ 8,912,208 | 9,562,959 |
| General revenues: | | | | |
| General purpose Tax Levies | 3,952,859 | 3,778,187 | - | - |
| Sales Tax | 5,652,977 | 4,796,410 | - | - |
| Intergovernmental Revenue | 1,668,199 | 2,089,441 | - | - |
| Transfers | (297,135) | (82,552) | 297,135 | 82,552 |
| Other | 428,048 | 295,069 | 1,461,615 | 1,247,924 |
| Total revenues | 12,631,024 | 12,144,867 | 10,670,958 | 10,893,435 |
| Expenses: | | | | |
| General Government | 2,535,174 | 2,305,776 | - | - |
| Public Safety | 5,692,731 | 6,239,711 | - | - |
| Public Works | 2,189,089 | 2,116,382 | - | - |
| Health and welfare | 488,784 | 509,565 | - | - |
| Culture and recreation | 423,581 | 435,046 | - | - |
| Utility | - | - | 8,559,224 | 9,479,286 |
| Cemetery | - | - | 116,150 | 123,601 |
| Interest on long-term liabilities | 294,260 | 378,876 | 80,677 | 108,571 |
| Total expenses | 11,623,619 | 11,985,356 | 8,756,051 | 9,711,458 |
| Increase (Decrease) in net position | 1,007,405 | 159,511 | 1,914,907 | 1,181,977 |
| Net Position, Oct 1 | 25,717,592 | 25,558,081 | 11,638,486 | 10,456,509 |
| Net Position, Sept 30 | \$ 26,724,997 | 25,717,592 | \$ 13,553,393 | 11,638,486 |

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental activities

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

Table 3
Net Cost of Governmental Activities

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-----------------------------------|--------------------------------|-------------------------------|---------------------------------|----------------------------|
| | <u>Total Expenses</u> | | <u>Total Expenses</u> | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| General Government | \$ 2,535,174 | \$ 2,305,776 | \$ - | \$ - |
| Public Safety | 5,692,731 | 6,239,711 | - | - |
| Public Works | 2,189,089 | 2,116,382 | - | - |
| Health and Welfare | 488,784 | 509,565 | - | - |
| Culture and Recreation | 423,581 | 435,046 | - | - |
| Utility | - | - | 8,559,224 | 9,479,286 |
| Cemetery | - | - | 116,150 | 123,601 |
| Interest on long-term liabilities | 294,260 | 378,876 | 80,677 | 108,571 |
| Total Expenses | <u>\$ 11,623,619</u> | <u>\$ 11,985,356</u> | <u>\$ 8,756,051</u> | <u>\$ 9,711,458</u> |
| | <u>Net (Expense) Revenue</u> | | <u>Net (Expense) Revenue</u> | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| General Government | \$ (1,706,837) | \$ (1,451,162) | \$ - | \$ - |
| Public Safety | (5,406,608) | (5,948,502) | - | - |
| Public Works | (2,189,089) | (2,116,382) | - | - |
| Health and Welfare | (488,784) | (509,565) | - | - |
| Culture and Recreation | (311,965) | (312,557) | - | - |
| Utility | - | - | 312,752 | 44,769 |
| Cemetery | - | - | (75,918) | (84,697) |
| Interest on long-term liabilities | (294,260) | (378,876) | (80,677) | (108,571) |
| Total Expenses | <u>\$ (10,397,543)</u> | <u>\$ (10,717,044)</u> | <u>\$ 156,157</u> | <u>\$ (148,499)</u> |

Net cost of governmental activities (\$10,397,543 for 2020 and \$10,717,044 for 2019) was financed by general revenue, which is primarily made up of property and sales taxes (\$9,605,836 for 2020 and \$8,574,597 for 2019) and state and federal revenues (\$1,668,199 for 2020 and \$2,089,441 for 2019).

Investment earnings amounted to \$137,495 for 2020.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$16,744,783 an increase of \$820,843. \$9,505,268 or 57% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,239,515 or 43% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$817,603. The fund balance of Other Governmental Funds showed an increase in the amount of \$282,287. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u> | <u>Increase (Decrease)</u> |
|------------------------------|----------------------------|
| Airport Fund | \$ 59,796 |
| General Obligation Bond Fund | \$ (356,345) |
| Debt Service Fund | \$ 17,502 |

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2020, the City's total capital assets were \$31,279,045 in the governmental activities and \$17,037,598 in the business type activities, including land, buildings, building improvements, vehicles, furniture and equipment, and infrastructure. This amount represents a decrease of \$468,477 in governmental activities and an increase of \$1,730,489 in the business-type activities from 2019. Total accumulated depreciation as of September 30, 2020, was \$42,880,863 and \$7,612,621, and total depreciation expense for the year was \$1,614,855 and \$633,548 in the governmental activities and business-type activities, respectively.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Table 4
Capital Assets, Net of Accumulated Depreciation

| | Governmental Activities | | Business Activities | |
|--------------------------|--------------------------------|-----------------------|----------------------------|-----------------------|
| | Sept. 30, 2020 | Sept. 30, 2019 | Sept. 30, 2020 | Sept. 30, 2019 |
| Land | \$ 2,531,751 | \$ 2,531,751 | \$ 172,599 | \$ 172,599 |
| Construction in progress | 318,915 | 1,534,580 | 5,084,994 | 2,720,957 |
| Buildings & improvements | 6,085,184 | 6,290,512 | 230,001 | 236,283 |
| Machinery & equipment | 285,104 | 268,558 | 146,825 | 174,314 |
| Mobile equipment | 611,904 | 553,581 | 146,369 | 168,363 |
| Capital Lease Equipment | 62,650 | 71,004 | 244,541 | 273,311 |
| Infrastructure | 21,383,537 | 20,497,536 | 11,012,269 | 11,561,282 |
| Total | \$ 31,279,045 | \$ 31,747,522 | \$ 17,037,598 | \$ 15,307,109 |

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

Debt Administration. At September 30, 2020, the City had \$7,076,431 in outstanding long-term debt in its governmental funds, of which \$821,738 is due within one year and \$4,949,718 in outstanding long-term debt in its business-type activities of which \$315,590 is due within one year. The liability for compensated absences increased \$3,848 in the governmental funds and decreased \$13,193 in the business-type activities from the prior year.

Table 5
Outstanding Long-Term Debt

| | Governmental Activities | | Business-type Activities | |
|----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|
| | Sept 30, 2020 | Sept 30, 2019 | Sept 30, 2020 | Sept 30, 2019 |
| General obligation bonds payable | \$ 6,810,775 | \$ 8,012,498 | \$ 2,194,225 | \$ 2,367,502 |
| Notes Payable | 265,656 | 300,339 | 2,755,493 | 973,153 |
| Obligations under capital lease | - | 21,267 | - | 230,639 |
| Compensated Absences payable | 835,813 | 831,965 | 198,825 | 212,018 |
| Total | \$ 7,912,244 | \$ 9,166,069 | \$ 5,148,543 | \$ 3,783,312 |

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

CURRENT ISSUES

Despite a world-wide pandemic and the many challenges faced because of it, the sound financial state of our City remained unscathed. Revenues continued in an upward climb and operations continued in full force.

Several technological advances took place in order to keep up with the demands of our ever-changing environment. The most impressive being acquiring a state-of-the-art dispatch center through a combined effort with the County. Pearl River and City of Picayune now have a consolidated dispatch center, a significant accomplishment for all involved.

The City continues to fulfill its promise to improve infrastructure, quality of life, and a transparent government.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF PICAYUNE, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

EXHIBIT A

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,420,672 | \$ 4,038,805 | \$ 9,459,477 |
| Restricted assets | 5,446,476 | 231,742 | 5,678,218 |
| Investments | 2,269,487 | 2,941,195 | 5,210,682 |
| Receivables, accounts | 494,443 | 1,622,627 | 2,117,070 |
| Due from other governments | 3,456,350 | - | 3,456,350 |
| Notes Receivable | 698,806 | - | 698,806 |
| Other Receivables | 503,202 | - | 503,202 |
| Prepaid Assets | 191,461 | 12,906 | 204,367 |
| Inventory | 389,727 | 257,291 | 647,018 |
| Due from other Funds | 3,169,474 | 1,586,979 | 4,756,453 |
| Capital Assets | 31,279,045 | 17,037,598 | 48,316,643 |
| Total Assets | <u>53,319,143</u> | <u>27,729,143</u> | <u>81,048,286</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflow related to bond issuance | 31,092 | - | 31,092 |
| Deferred outflow related to pensions | 835,147 | 292,004 | 1,127,151 |
| Total Deferred Outflows of Resources | <u>866,239</u> | <u>292,004</u> | <u>1,158,243</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 722,625 | 603,929 | 1,326,554 |
| Customer deposits | - | 768,087 | 768,087 |
| Accrued Interest | 241,579 | 33,380 | 274,959 |
| Other payables | 123,250 | 155,524 | 278,774 |
| Due to other funds | 1,586,979 | 3,169,474 | 4,756,453 |
| Deferred revenue | 2,590,585 | - | 2,590,585 |
| Due to other governments | 153,548 | 603,552 | 757,100 |
| Long-term liabilities, due within one year: | | | |
| Capital related liabilities | 821,738 | 254,468 | 1,076,206 |
| Non-capital related liabilities | 41,791 | 9,941 | 51,732 |
| Long-term liabilities, due beyond one year: | | | |
| Capital related liabilities | 6,254,693 | 4,695,250 | 10,949,943 |
| Non-capital related liabilities | 794,022 | 188,884 | 982,906 |
| Net pension liability | 14,129,575 | 3,985,265 | 18,114,840 |
| Total Liabilities | <u>27,460,385</u> | <u>14,467,754</u> | <u>41,928,139</u> |
| Net Position | | | |
| Net investment in capital assets | 24,202,614 | 12,087,880 | 36,290,494 |
| Restricted | 1,758,441 | 231,742 | 1,990,183 |
| Unrestricted | 763,942 | 1,233,771 | 1,997,713 |
| Total Net Position (deficit) | <u>\$ 26,724,997</u> | <u>\$ 13,553,393</u> | <u>\$ 40,278,390</u> |

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

**CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

EXHIBIT B

| Functions/Programs | Expenses | Program Revenues | | | Changes in Net Position | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 2,535,174 | \$ 828,337 | \$ - | \$ - | (1,706,837) | \$ - | \$ (1,706,837) |
| Public safety | 5,692,731 | 286,123 | - | - | (5,406,608) | - | (5,406,608) |
| Public works | 2,189,089 | - | - | - | (2,189,089) | - | (2,189,089) |
| Health & welfare | 488,784 | - | - | - | (488,784) | - | (488,784) |
| Culture & recreation | 423,581 | 111,616 | - | - | (311,965) | - | (311,965) |
| Interest on long-term liabilities | 294,260 | - | - | - | (294,260) | - | (294,260) |
| Total Governmental Activities | \$ 11,623,619 | \$ 1,226,076 | \$ - | \$ - | (10,397,543) | \$ - | \$ (10,397,543) |
| Business -type activities: | | | | | | | |
| Water, Gas & Sewer | 8,559,224 | 8,871,976 | - | - | - | 312,752 | 312,752 |
| Cemetery | 116,150 | 40,232 | - | - | - | (75,918) | (75,918) |
| Interest on debt | 80,677 | - | - | - | - | (80,677) | (80,677) |
| Total business-type activities | 8,756,051 | 8,912,208 | - | - | - | 156,157 | 156,157 |
| Total primary government | \$ 20,379,670 | \$ 10,138,284 | \$ - | \$ - | (10,397,543) | \$ 156,157 | \$ (10,241,386) |

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

**CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

EXHIBIT B

| Functions/Programs | Expenses | Program Revenues | | | Changes in Net Position | | |
|--|--|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| | Sales tax | | | | 5,652,977 | - | 5,652,977 |
| | General purpose levies | | | | 3,952,859 | - | 3,952,859 |
| Unrestricted grants and contributions: | | | | | | | |
| | Intergovernmental | | | | 1,668,199 | - | 1,668,199 |
| | Unrestricted investment earnings | | | | 137,495 | 96,823 | 234,318 |
| | Transfer | | | | (297,135) | 297,135 | - |
| | Other | | | | 290,553 | 1,364,792 | 1,655,345 |
| | Total General Revenues | | | | 11,404,948 | 1,758,750 | 13,163,698 |
| | Change in Net Position | | | | 1,007,405 | 1,914,907 | 2,922,312 |
| | Net Position - Beginning, as previously reported | | | | 25,717,592 | 11,638,486 | 37,356,078 |
| | Net Position (deficit) - Ending | | | | \$ 26,724,997 | \$ 13,553,393 | \$ 40,278,390 |

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

CITY OF PICAYUNE, MISSISSIPPI
FUND FINANCIAL STATEMENTS

CITY OF PICAYUNE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

EXHIBIT C

| | Major Funds | | | | | Total Governmental Funds |
|--|----------------------|-------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| | General Fund | Airport Fund | GO Bond Fund | Debt Service Fund | Other Governmental Funds | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 4,059,205 | \$ 289,399 | \$ 5,446,476 | \$ 181,019 | \$ 891,049 | \$ 10,867,148 |
| Cash held with fiscal agents | - | - | - | - | - | - |
| Investments | 2,057,453 | - | - | - | 212,034 | 2,269,487 |
| Due from other funds | 4,342,909 | - | - | - | 90,623 | 4,433,532 |
| Receivables, Other | 4,360,775 | - | - | - | 93,220 | 4,453,995 |
| Notes Receivable | 79,068 | - | - | - | 619,738 | 698,806 |
| Prepaid Expenses | 172,909 | 3,751 | - | - | 14,801 | 191,461 |
| Inventory | - | - | - | - | 389,727 | 389,727 |
| Total assets | <u>\$ 15,072,319</u> | <u>\$ 293,150</u> | <u>\$ 5,446,476</u> | <u>\$ 181,019</u> | <u>\$ 2,311,192</u> | <u>\$ 23,304,156</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 678,394 | \$ 4,704 | \$ - | \$ 3,605 | \$ 35,922 | \$ 722,625 |
| Deferred Revenues | 2,590,585 | - | - | - | - | 2,590,585 |
| Due to other funds | 1,675,666 | 1,050,070 | - | - | 125,301 | 2,851,037 |
| Due to other governments | 153,548 | - | - | - | - | 153,548 |
| Other payables | 183,398 | - | - | - | 58,181 | 241,579 |
| Total Liabilities | <u>5,281,591</u> | <u>1,054,774</u> | <u>-</u> | <u>3,605</u> | <u>219,404</u> | <u>6,559,374</u> |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid Expenses | 172,909 | 3,751 | - | - | 14,801 | 191,461 |
| Inventory | - | - | - | - | 389,727 | 389,727 |
| Notes receivable | 79,068 | - | - | - | 619,738 | 698,806 |
| Restricted: | | | | | | |
| Debt service | - | - | - | 177,414 | 265,656 | 443,070 |
| Capital projects | - | - | 5,446,476 | - | - | 5,446,476 |
| Unemployment benefits | - | - | - | - | 35,377 | 35,377 |
| Committed: | | | | | | |
| City Projects | 33,483 | - | - | - | - | 33,483 |
| Assigned: | | | | | | |
| Airport | - | (765,374) | - | - | - | (765,374) |
| Economic Development Projects | - | - | - | - | 357,461 | 357,461 |
| | - | - | - | - | 409,028 | 409,028 |
| Unassigned | <u>9,505,268</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,505,268</u> |
| Total Fund Balances | <u>9,790,728</u> | <u>(761,623)</u> | <u>5,446,476</u> | <u>177,414</u> | <u>2,091,788</u> | <u>16,744,783</u> |
| Total Liabilities and Fund Balances | <u>\$ 15,072,319</u> | <u>\$ 293,151</u> | <u>\$ 5,446,476</u> | <u>\$ 181,019</u> | <u>\$ 2,311,192</u> | <u>\$ 23,304,157</u> |

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

**CITY OF PICAYUNE, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

EXHIBIT C-1

Total fund balances for governmental funds \$ 16,744,783

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

| | | | |
|-----------------------------------|----|---------------------|------------|
| Land | \$ | 2,531,751 | |
| Construction in Progress | | 318,915 | |
| Building improvements | | 9,180,680 | |
| Capital lease equipment | | 104,419 | |
| Mobile equipment | | 1,372,911 | |
| Furniture and equipment | | 4,245,163 | |
| Improvements other than buildings | | 56,406,069 | |
| Accumulated depreciation | | <u>(42,880,863)</u> | 31,279,045 |

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

| | | | |
|-----------------------|--|--------------|--|
| Net pension liability | | (14,129,575) | |
|-----------------------|--|--------------|--|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

| | | | |
|--|--|---------------|--------------|
| Deferred outflows of resources related to pensions | | 835,147 | |
| Deferred outflows of resources related to bonds | | <u>31,092</u> | (13,263,336) |

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

| | | | |
|--------------------------|--|------------------|-------------|
| GO Bonds | | (6,810,775) | |
| Notes payable | | (265,656) | |
| Compensated absences | | (835,813) | |
| Accrued interest payable | | <u>(123,250)</u> | (8,035,494) |

| | | | |
|--|--|--|-----------------------------|
| Net Position of governmental activities | | | <u><u>\$ 26,724,997</u></u> |
|--|--|--|-----------------------------|

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

CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT D

| | Major Funds | | | | | |
|--|-------------------|-----------------|------------------|-------------------------|--------------------------------|--------------------------------|
| | General Fund | Airport Fund | GO Bond Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
| Revenues: | | | | | | |
| Property and Advalorem Taxes | \$ 2,869,634 | \$ - | \$ - | \$ 1,083,225 | \$ - | \$ 3,952,859 |
| License and permits | 817,220 | - | - | - | - | 817,220 |
| Intergovernmental revenue | 6,237,444 | 225,110 | - | - | 858,622 | 7,321,176 |
| Charges for services | 1,296 | 111,616 | - | - | 9,821 | 122,733 |
| Fines and forfeitures | 274,892 | - | - | - | 11,231 | 286,123 |
| Miscellaneous | 191,658 | - | 129,969 | 8,952 | 97,469 | 428,048 |
| Total Revenues | 10,392,144 | 336,726 | 129,969 | 1,092,177 | 977,143 | 12,928,159 |
| Expenditures: | | | | | | |
| General government | 1,581,832 | - | - | - | 20,017 | 1,601,849 |
| Public safety | 5,548,352 | - | - | - | - | 5,548,352 |
| Public works | 2,120,293 | - | - | - | 31,137 | 2,151,430 |
| Health and welfare | - | - | - | - | 429,676 | 429,676 |
| Culture & Recreation | - | 276,930 | - | - | - | 276,930 |
| Capital Outlay | - | - | 318,914 | - | - | 318,914 |
| Debt Service: | | | | | | - |
| Principal | - | - | - | 1,257,673 | - | 1,257,673 |
| Interest | - | - | 167,400 | 57,957 | - | 225,357 |
| Other | - | - | - | - | - | - |
| Total Expenditures | 9,250,477 | 276,930 | 486,314 | 1,315,630 | 480,830 | 11,810,181 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 1,141,667 | 59,796 | (356,345) | (223,453) | 496,313 | 1,117,978 |
| Other Financing Sources (Uses): | | | | | | |
| Operating transfers in | 8,600 | - | - | 240,955 | 227,743 | 477,298 |
| Operating transfers out | (332,664) | - | - | - | (441,769) | (774,433) |
| Total Other Financing Sources (Uses) | (324,064) | - | - | 240,955 | (214,026) | (297,135) |
| Net Change in Fund Balances | 817,603 | 59,796 | (356,345) | 17,502 | 282,287 | 820,843 |
| Fund Balances: | | | | | | |
| October 1, 2019 | 8,973,125 | (821,419) | 5,802,821 | 159,912 | 1,809,501 | 15,923,940 |
| September 30, 2020 | \$ 9,790,728 | \$ (761,623) | \$ 5,446,476 | \$ 177,414 | \$ 2,091,788 | \$ 16,744,783 |

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

**CITY OF PICAYUNE, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

EXHIBIT D-1

Net change in fund balances - total governmental funds \$ 820,843

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|----------------------|--------------|-----------|
| Capital outlay | \$ 1,146,378 | |
| Depreciation expense | (1,614,855) | (468,477) |
| | | |

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect

| | | |
|----------------------------|-----------|-----------|
| Payments of debt principal | 1,257,673 | |
| Accrued interest payable | (61,130) | 1,196,543 |
| | | |

3. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

| | | |
|--|-----------|-----------|
| Recording of pension expense for the current period | (753,954) | |
| Recording of contributions made subsequent to the measurement date | 224,071 | (529,883) |
| | | |

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

| | | |
|--|---------|----------|
| Change in compensated absences | (3,848) | |
| Amortization of deferred charges, premiums and discounts | (7,773) | (11,621) |
| | | |

| | | |
|--|--|---------------------|
| Change in Net Position of governmental activities | | \$ 1,007,405 |
| | | |

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

CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2020

EXHIBIT E

| | <u>Enterprise Funds</u> | | |
|--|-------------------------|-------------------|----------------------|
| ASSETS | <u>Utility</u> | <u>Cemetery</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Fund</u> | |
| CURRENT ASSETS | | | |
| Cash | \$ 3,847,954 | \$ 190,851 | \$ 4,038,805 |
| Restricted Cash | 231,742 | - | 231,742 |
| Investments | 2,827,559 | 113,636 | 2,941,195 |
| Accounts receivable (net) | 1,582,088 | 40,539 | 1,622,627 |
| Due from other funds | 1,584,014 | 2,965 | 1,586,979 |
| Prepaid Assets | 12,906 | - | 12,906 |
| Inventory | <u>127,693</u> | <u>129,598</u> | <u>257,291</u> |
| Total current assets | <u>10,213,956</u> | <u>477,589</u> | <u>10,691,545</u> |
| NONCURRENT ASSETS | | | |
| Capital assets (net) | <u>16,898,292</u> | <u>139,306</u> | <u>17,037,598</u> |
| TOTAL ASSETS | <u>\$ 27,112,248</u> | <u>\$ 616,895</u> | <u>\$ 27,729,143</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred outflows of resources related to pensions | <u>\$ 292,004</u> | <u>\$ -</u> | <u>\$ 292,004</u> |

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

**CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2020**

EXHIBIT E

| | Enterprise Funds | | |
|---|-------------------------|--------------------------|-------------------|
| | Utility Fund | Cemetery Fund | Total |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 597,645 | \$ 6,284 | \$ 603,929 |
| Accrued interest | 33,380 | - | 33,380 |
| Other payables | 153,191 | 2,333 | 155,524 |
| Customer deposits | 768,087 | - | 768,087 |
| Due to other funds | 3,169,474 | - | 3,169,474 |
| Due to other governments | 603,552 | - | 603,552 |
| Long-term liabilities, due within one year | 254,468 | - | 254,468 |
| Total current liabilities | 5,579,797 | 8,617 | 5,588,414 |
| LONG-TERM LIABILITIES | | | |
| Accrued compensation | 196,843 | 1,982 | 198,825 |
| Long-term liabilities, due beyond one year | 4,695,250 | - | 4,695,250 |
| Pension liability | 3,985,265 | - | 3,985,265 |
| Total long-term liabilities | 8,877,358 | 1,982 | 8,879,340 |
| TOTAL LIABILITIES | \$ 14,457,155 | \$ 10,599 | \$ 14,467,754 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 11,948,574 | \$ 139,306 | \$ 12,087,880 |
| Net Position: Restricted | 231,742 | - | 231,742 |
| Net Position: Unrestricted | 766,781 | 466,990 | 1,233,771 |
| TOTAL NET POSITION | \$ 12,947,097 | \$ 606,296 | \$ 13,553,393 |

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

**CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR YEARS ENDED SEPTEMBER 30, 2020**

EXHIBIT F

| | Enterprise Funds | | |
|---|-------------------------|--------------------------|---------------|
| | Utility Fund | Cemetery Fund | Total |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 8,871,976 | \$ - | \$ 8,871,976 |
| Plot Sales | - | 40,232 | 40,232 |
| | 8,871,976 | 40,232 | 8,912,208 |
| OPERATING EXPENSES: | | | |
| Personal services | 2,097,065 | 88,620 | 2,185,685 |
| Supplies | 1,939,849 | 8,390 | 1,948,239 |
| Contractual services | 3,891,594 | 16,308 | 3,907,902 |
| Depreciation | 630,716 | 2,832 | 633,548 |
| | 8,559,224 | 116,150 | 8,675,374 |
| Total operating expenses | | | |
| Operating income | 312,752 | (75,918) | 236,834 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Other miscellaneous income | 1,364,792 | - | 1,364,792 |
| Interest income | 92,352 | 4,471 | 96,823 |
| Interest expense | (80,677) | - | (80,677) |
| Operating Transfers Out | (12,159) | - | (12,159) |
| Operating Transfers In | 223,183 | 86,111 | 309,294 |
| | 1,587,491 | 90,582 | 1,678,073 |
| Total non-operating revenues (expenses) | | | |
| NET INCOME | 1,900,243 | 14,664 | 1,914,907 |
| Net position, October 1 | 11,046,854 | 591,632 | 11,638,486 |
| Net position, September 30 | \$ 12,947,097 | \$ 606,296 | \$ 13,553,393 |

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

**CITY OF PICAYUNE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2020**

EXHIBIT G

| | <u>Enterprise Funds</u> | | <u>Total</u> |
|--|-------------------------|--------------------------|---------------------|
| | <u>Utility Fund</u> | <u>Cemetery Fund</u> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 8,502,667 | \$ 51,046 | \$ 8,553,713 |
| Payments to suppliers | (6,820,109) | (19,987) | (6,840,096) |
| Payments to employees | <u>(1,810,104)</u> | <u>(88,620)</u> | <u>(1,898,724)</u> |
| Net cash flows from operating activities | <u>(127,546)</u> | <u>(57,561)</u> | <u>(185,107)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Interest income | 92,352 | 4,471 | 96,823 |
| Miscellaneous income | 1,364,792 | - | 1,364,792 |
| Cash payments (to) from governmental funds | 256,858 | 84,888 | 341,746 |
| Cash payments (to) from other governments | <u>603,552</u> | <u>-</u> | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>2,317,554</u> | <u>89,359</u> | <u>1,803,361</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | |
| Purchase of capital assets | (2,364,037) | - | (2,364,037) |
| Proceeds from borrowings | 1,953,992 | - | 1,953,992 |
| Principal paid on capital debt | (575,568) | - | (575,568) |
| Interest paid on capital debt | <u>(80,677)</u> | <u>-</u> | <u>(80,677)</u> |
| Net cash provided by noncapital financing activities | <u>(1,066,290)</u> | <u>-</u> | <u>(1,066,290)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investments | <u>(18,769)</u> | <u>(397)</u> | <u>(19,166)</u> |
| Net cash provided by investing activities | <u>(18,769)</u> | <u>(397)</u> | <u>(19,166)</u> |
| NET INCREASE (DECREASE) IN CASH | 1,104,949 | 31,401 | 1,136,350 |
| Cash, October 1 | <u>2,974,747</u> | <u>159,450</u> | <u>3,134,197</u> |
| Cash, September 30 | <u>\$ 4,079,696</u> | <u>\$ 190,851</u> | <u>\$ 4,270,547</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating Income | \$ 312,752 | \$ (75,918) | \$ 236,834 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 630,716 | 2,832 | 633,548 |
| Change in assets and liabilities: | | | |
| Receivables, net of allowances | (387,751) | 10,814 | (376,937) |
| Prepaid assets | (241) | - | (241) |
| Inventory | (24,506) | 1,409 | (23,097) |
| Deferred outflows related to pensions | (79,632) | - | (79,632) |
| Accounts payable | (373,492) | 3,302 | (370,190) |
| Other payables | (590,427) | - | (590,427) |
| Customer deposits | 18,442 | - | 18,442 |
| Accrued compensation | (13,193) | - | (13,193) |
| Deferred inflows related to pensions | (162,341) | - | (162,341) |
| Pension liability | <u>542,127</u> | <u>-</u> | <u>542,127</u> |
| Net cash flows from operating activities | <u>\$ (127,546)</u> | <u>\$ (57,561)</u> | <u>\$ (185,107)</u> |

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity.

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

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

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

Additionally, during its evaluation of potential component units, management identified one jointly governed organization, Municipal Gas Authority of Mississippi.

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.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds, if

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

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

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

C. Measurement Focus and Basis of Accounting.

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

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

The City reports the following major governmental funds:

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

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

General Obligation Bond Fund - This is the fund that accounts for the proceeds from the general obligation bond issued during the fiscal year.

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

The City reports the following major proprietary funds:

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

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

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

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Other Deposits.

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

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

G. Investments.

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

H. Receivables.

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

I. Prepaid Expenses.

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

J. Restricted Assets.

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

K. Inventories.

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

L. Capital Assets.

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

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The following schedule details those thresholds.

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

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

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

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

M. Long-term Liabilities.

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

N. Inter-fund Transactions and Balances.

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

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

O. Pensions.

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

P. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2020, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- **Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the the City of Picayune's Council, the City's highest level of decision making authority.

**CITY OF PICAYUNE, MISSISSIPPI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Commitments may be modified or rescinded only through ordinances approved by the City of Picayune.

- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Picayune reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

Q. Property Taxes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Taxes are collected by Pearl River County and remitted to the City. The County retains a 5% collection fee on motor vehicle and mobile home taxes. The County retains a 2% collection fee on all other taxes. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rate for the City for January through December was 38.61 mills broken down as follows:

| | |
|--------------|--------------|
| General Fund | 26.84 |
| Debt Service | <u>11.77</u> |
| | <u>38.61</u> |

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

R. Budgets and Budgetary Accounting.

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

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

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds except for the general obligation bond fund. Since no expenditures requiring board/council approval and no revenues were expected in this fund, state law precludes the city from adopting a budget for this fund.

S. Deferred outflows/inflows of resources

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

| | |
|---|--------------|
| Deferred outflows related to charges on refunding bonds | \$ 31,092 |
| Deferred outflows related to pensions | \$ 1,127,151 |

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

T. Compensated Absences.

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

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

U. Use of Estimates.

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

NOTE 2 – CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENTS AND INVESTMENTS.

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

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

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash and Cash Equivalents.

The carrying amount of the City’s deposits with financial institutions was \$15,137,695 and \$13,877,017, and the bank balance was \$15,078,263 and \$13,789,771 for 2020 and 2019, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The city does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2020, the City’s bank balance did not have any exposure to custodial credit risk.

Investments.

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

| Certificate # | Value | Maturity Date |
|----------------------------------|---------------------|------------------|
| General Fund: | | |
| 718291 | \$ 527,960 | 9/20/2023 |
| 11005006 | 1,529,493 | 2/6/2021 |
| Other Governmental Funds: | | |
| 11005019 | 212,034 | 3/12/2021 |
| Total Governmental | \$ 2,269,487 | |
| Enterprise Funds: | | |
| 11005019 | 1,042,837 | 3/12/2021 |
| 709729 | 1,413,227 | 4/22/2021 |
| Total Business-type | \$ 2,456,064 | |

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

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. As of September 30, 2020, the City did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 20120 the City had three certificates of deposits with First National Bank of Picayune which comprised 63% of the investment balance on Exhibit A and Exhibit E.

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

| | Governmental | Businesss-type | Total |
|---------------------------------------|----------------------------|----------------------------|-------------------------------|
| | <u>Activities</u> | <u>Activities</u> | <u>Government-wide</u> |
| Property and ad valorem tax | \$ 2,590,585 | \$ - | \$ 2,590,585 |
| Sales Tax | 865,765 | - | 865,765 |
| Franchise Tax | 158,634 | - | 158,634 |
| Fines Receivable, gross | 6,921,867 | - | 6,921,867 |
| Accounts Receivable, gross | 92,720 | 1,650,665 | 1,743,385 |
| Other receivables | 1,043,374 | - | 1,043,374 |
| Total Receivables, Gross | <u>11,672,945</u> | <u>1,650,665</u> | <u>13,323,610</u> |
| Less: Allowance for doubtful accounts | <u>(6,520,144)</u> | <u>(28,038)</u> | <u>(6,548,182)</u> |
| Total Receivables, Net | <u><u>\$ 5,152,801</u></u> | <u><u>\$ 1,622,627</u></u> | <u><u>\$ 6,775,428</u></u> |

NOTES RECEIVABLES:

Brockway Building

On May 3, 2005, the City entered into an agreement with Farmer Fresh Produce International LLC for the sale of the City’s Brockway Buildings. The sales price of the building was \$1,100,000 at 2% interest per annum for a period of thirty years. Monthly payments of \$4,066 are due on the first day of each month. The sale is financed by the City. The agreement includes a special provision that the City incur \$35,000 to repair and modernize the Brockway Building’s administrative offices. The City and the buyer agree that the special provision will be met by the buyer not paying the first eight payments and reducing the ninth payment. The balance of notes receivable at September 30, 2020 was \$619,738 and is included as Notes Receivable in the Statement of Net Position.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

National Home Furnishings

On September 20, 2006, the City entered into an agreement with National Home Furnishings for the sale of City Property and building. The sales price was \$157,000 at 7% interest per annum for a period of twenty years. Monthly payments of \$1,217 are due on the first day of each month. The sale is financed by the City. The balance of notes receivable as of September 30, 2020 was \$79,068 and is included as Notes Receivable in the Statement of Net Position.

NOTE 4 - INTER-FUND TRANSACTIONS AND BALANCES

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------------|
| General Fund | Airport Fund | \$ 1,048,134 |
| | Other Governmental Funds | 125,301 |
| | Utility Fund | 3,169,474 |
| Other Governmental Funds | General fund | 90,623 |
| Cemetery Fund | General Fund | 2,965 |
| Utility Fund | Airport Fund | 1,936 |
| | General Fund | <u>1,582,078</u> |
| | | <u>\$ 6,020,511</u> |

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

| <u>Transfers In</u> | <u>Transfers out</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| General Fund | Utility Fund | \$ 8,600 |
| Debt Service | General Fund | 22,369 |
| | Other Governmental Funds | 218,586 |
| Other Governmental Funds | General Fund | 227,743 |
| Utility Fund | Other Governmental Funds | 223,183 |
| Cemetery Fund | Utility Fund | 3,559 |
| | General Fund | <u>82,552</u> |
| | | <u>\$ 786,592</u> |

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 - CAPITAL ASSETS

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

| | Begin | Increases | Decreases | Completed construction | End |
|---|----------------------|---------------------|-------------|---------------------------|----------------------|
| Governmental Activities: | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 2,531,751 | \$ - | \$ - | \$ - | 2,531,751 |
| Construction in progress | 1,534,580 | 928,075 | - | (2,143,740) | 318,915 |
| Total non-depreciable capital assets | <u>4,066,331</u> | <u>928,075</u> | <u>-</u> | | <u>2,850,666</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings & Improvements | 9,180,680 | - | - | - | 9,180,680 |
| Mobile equipment | 1,276,516 | 96,395 | - | - | 1,372,911 |
| Capital Lease Equipment | 104,419 | - | - | - | 104,419 |
| Furniture and equipment | 4,123,255 | 121,908 | - | - | 4,245,163 |
| Improvements other than buildings | 54,262,329 | - | - | 2,143,740 | 56,406,069 |
| Total depreciable capital assets | <u>68,947,199</u> | <u>218,303</u> | <u>-</u> | | <u>71,309,242</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings & Improvements | 2,890,168 | 205,328 | - | - | 3,095,496 |
| Mobile equipment | 722,935 | 38,072 | - | - | 761,007 |
| Capital Lease Equipment | 33,415 | 8,354 | - | - | 41,769 |
| Furniture and equipment | 3,854,697 | 105,362 | - | - | 3,960,059 |
| Improvements other than buildings | 33,764,793 | 1,257,739 | - | - | 35,022,532 |
| Total accumulated depreciation | <u>41,266,008</u> | <u>1,614,855</u> | <u>-</u> | | <u>42,880,863</u> |
| Total depreciable capital assets, net | <u>27,681,191</u> | <u>(1,396,552)</u> | <u>-</u> | | <u>28,428,379</u> |
| Governmental activities capital assets, net | <u>\$ 31,747,522</u> | <u>\$ (468,477)</u> | <u>\$ -</u> | | <u>\$ 31,279,045</u> |

Depreciation expense was charged to the following governmental functions:

| | |
|----------------------|---------------------|
| General Government | \$ 957,504 |
| Public Safety | 220,604 |
| Public Works | 43,211 |
| Health & Welfare | 300,562 |
| Culture & Recreation | 92,974 |
| | <u>\$ 1,614,855</u> |

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

| | Begin | Increases | Decreases | Completed construction | End |
|--|----------------------|---------------------|-------------|---------------------------|-------------------|
| Business-type Activities: | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 172,599 | \$ - | \$ - | \$ - | 172,599 |
| Construction in progress | 2,720,957 | 2,364,037 | - | - | 5,084,994 |
| Total non-depreciable capital assets | <u>2,893,556</u> | <u>2,364,037</u> | <u>-</u> | <u>-</u> | <u>5,257,593</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 294,292 | - | - | - | 294,292 |
| Machinery and equipment | 967,298 | - | - | - | 967,298 |
| Mobile equipment | 781,560 | - | - | - | 781,560 |
| Capital Lease Equipment | 359,621 | - | - | - | 359,621 |
| Improvements other than buildings | 16,989,855 | - | - | - | 16,989,855 |
| Total depreciable capital assets | <u>19,392,626</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,392,626</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 58,009 | 6,282 | - | - | 64,291 |
| Machinery and equipment | 792,984 | 27,489 | - | - | 820,473 |
| Mobile equipment | 613,197 | 21,994 | - | - | 635,191 |
| Capital Lease Equipment | 86,310 | 28,770 | - | - | 115,080 |
| Improvements other than buildings | 5,428,573 | 549,013 | - | - | 5,977,586 |
| Total accumulated depreciation | <u>6,979,073</u> | <u>633,548</u> | <u>-</u> | <u>-</u> | <u>7,612,621</u> |
| Total depreciable capital assets, net | <u>12,413,553</u> | <u>(633,548)</u> | <u>-</u> | <u>-</u> | <u>11,780,005</u> |
| Business-type activities capital assets, net | <u>\$ 15,307,109</u> | <u>\$ 1,730,489</u> | <u>\$ -</u> | <u>\$ -</u> | <u>17,037,598</u> |

Depreciation expense charged to the enterprise fund totaled \$633,548.

| | <u>Construction Commitment:</u> | | Remaining | Funding |
|-----------------------|---------------------------------|--------------|-------------------|---|
| | <u>Contract amt</u> | <u>Paid</u> | <u>Commitment</u> | <u>Source</u> |
| City Wide Paving | \$ 6,632,020 | \$ 318,915 | \$ 6,313,105 | Bond Issue |
| Highway 11 Relocation | \$ 2,646,742 | \$ 2,410,116 | \$ 236,626 | Cash Reserves & MDOT, PRCUA, and DFA |
| SRF Water Project | \$ 3,333,792 | \$ 2,674,879 | \$ 658,913 | State Revolving Loan |

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG – TERM LIABILITIES

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

| | <u>Balance</u> <u>10/1/2019</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>9/30/2020</u> | <u>Due within</u> <u>one year</u> |
|------------------------------|------------------------------------|------------------|---------------------|------------------------------------|--------------------------------------|
| General Obligation Bonds | \$ 8,012,498 | \$ - | \$ 1,201,723 | \$ 6,810,775 | \$ 786,000 |
| Notes from Direct Borrowings | 300,339 | - | 34,683 | 265,656 | 35,738 |
| Capital Leases | 21,267 | - | 21,267 | - | - |
| Compensated Absences | 831,965 | 3,848 | - | 835,813 | 41,791 |
| | <u>\$ 9,166,069</u> | <u>\$ 3,848</u> | <u>\$ 1,257,673</u> | <u>\$ 7,912,244</u> | <u>\$ 863,529</u> |

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

| | <u>Balance</u> <u>10/1/2019</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>9/30/2020</u> | <u>Due within</u> <u>one year</u> |
|------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|--------------------------------------|
| General Obligation Bonds | \$ 2,367,502 | \$ - | \$ 173,277 | \$ 2,194,225 | \$ 149,000 |
| Notes from Direct Borrowings | 973,153 | 1,953,992 | 171,652 | 2,755,493 | 105,468 |
| Capital Leases | 230,639 | - | 230,639 | - | - |
| Compensated Absences | 212,018 | - | 13,193 | 198,825 | 9,941 |
| | <u>\$ 3,783,312</u> | <u>\$ 1,953,992</u> | <u>\$ 588,761</u> | <u>\$ 5,148,543</u> | <u>\$ 264,409</u> |

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the city. The general obligation will be retired from the Debt Service Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the city.

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|------------------|---------------|------------------|------------------|-----------------------|
| 1. General Obligation Refunding , Series 2014 | Variable | 6/30/2014 | 7/1/2024 | \$ 3,057,423 | \$ 810,775 |
| 2. General Obligation, Series 2019 | Variable | 5/9/2019 | 7/1/2029 | 6,000,000 | 6,000,000 |
| | | | | | <u>\$ 6,810,775</u> |

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

1. General Obligation Refunding Bonds, Series 2014

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 186,000 | \$ 17,891 | \$ 203,891 |
| 2022 | 190,650 | 14,171 | 204,821 |
| 2023 | 195,300 | 9,881 | 205,181 |
| 2024 | <u>238,825</u> | <u>4,999</u> | <u>243,824</u> |
| Total | <u>\$ 810,775</u> | <u>\$ 46,942</u> | <u>\$ 857,717</u> |

2. General Obligation Bonds, Series 2019

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 600,000 | \$ 162,000 | \$ 762,000 |
| 2022 | 615,000 | 145,800 | 760,800 |
| 2023 | 630,000 | 129,195 | 759,195 |
| 2024 | 645,000 | 112,185 | 757,185 |
| 2025 | 665,000 | 94,770 | 759,770 |
| 2026-2029 | <u>2,845,000</u> | <u>194,535</u> | <u>3,039,535</u> |
| Total | <u>\$ 6,000,000</u> | <u>\$ 838,485</u> | <u>\$ 6,838,485</u> |

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|------------------|---------------|------------------|------------------|-----------------------|
| 1. Utility System Revenue Bonds, Series 2013 | Variable | 4/1/2013 | 4/1/2033 | \$ 3,000,000 | \$ 2,175,000 |
| 2. General Obligation Refunding , Series 2014 | Variable | 6/30/2014 | 7/1/2024 | 242,578 | 19,225 |
| | | | | | <u>\$ 2,194,225</u> |

1. Utility System Revenue Bonds, Series 2013

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 135,000 | \$ 59,775 | \$ 194,775 |
| 2022 | 140,000 | 56,400 | 196,400 |
| 2023 | 145,000 | 52,900 | 197,900 |
| 2024 | 150,000 | 49,275 | 199,275 |
| 2025 | 155,000 | 45,713 | 200,713 |
| 2026 - 2030 | 860,000 | 164,251 | 1,024,251 |
| 2031 - 2033 | <u>590,000</u> | <u>35,850</u> | <u>625,850</u> |
| Total | <u>\$ 2,175,000</u> | <u>\$ 464,164</u> | <u>\$ 2,639,164</u> |

2. General Obligation Refunding Bonds, Series 2017

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------|------------------|
| 2021 | \$ 14,000 | \$ 1,347 | \$ 15,347 |
| 2022 | <u>5,225</u> | <u>1,067</u> | <u>6,292</u> |
| Total | <u>\$ 19,225</u> | <u>\$ 2,414</u> | <u>\$ 21,639</u> |

The amount of indebtedness that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2020, the amount of outstanding debt was equal to 10% of the latest property assessments.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Notes from Direct Borrowings:

The City's outstanding notes from direct borrowings Debt currently outstanding in the Governmental Funds is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--------------------------------|------------------|---------------|------------------|------------------|-----------------------|
| MDA for airport infrastructure | 3.00% | 7/1/2007 | 7/31/2027 | \$ 650,000 | \$ 265,656 |
| | | | | | <u>\$ 265,656</u> |

| Year Ending Sept 30 | Principal | Interest | Total |
|--------------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 35,738 | \$ 7,521 | \$ 43,259 |
| 2022 | 36,825 | 6,434 | 43,259 |
| 2023 | 37,945 | 5,314 | 43,259 |
| 2024 | 39,099 | 4,160 | 43,259 |
| 2025 | 40,289 | 2,970 | 43,259 |
| 2026-2027 | <u>75,760</u> | <u>2,147</u> | <u>77,907</u> |
| Total | <u>\$ 265,656</u> | <u>\$ 28,546</u> | <u>\$ 294,202</u> |

Debt currently outstanding in the Proprietary Funds is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--|------------------|---------------|------------------|------------------|-----------------------|
| 1. MS Dept of Health | 3.50% | 3/1/2004 | 7/1/2024 | \$ 253,005 | \$ 54,208 |
| 2. MDA CAP Loan - AMR Project | 2.00% | 3/7/2011 | 3/1/2027 | \$ 1,300,000 | \$ 381,060 |
| 3. MDA Cap Loan - Water Improvement | 2.00% | 11/1/2010 | 11/4/2032 | \$ 562,530 | \$ 366,233 |
| 4. MS Dept of Health - Water Improvement | 1.95% | 9/29/2017 | - | \$ 3,504,700 | \$ 1,953,992 |
| | | | | | <u>\$ 2,755,493</u> |

1. MS Dept of Health-Drinking Water Systems Improvements

| Year Ending Sept 30 | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|------------------|
| 2021 | \$ 16,254 | \$ 1,613 | \$ 17,867 |
| 2022 | 16,832 | 1,035 | 17,867 |
| 2023 | 17,430 | 437 | 17,867 |
| 2024 | <u>3,692</u> | <u>24</u> | <u>3,716</u> |
| Total | <u>\$ 54,208</u> | <u>\$ 3,109</u> | <u>\$ 57,317</u> |

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. MDA Cap Loan – AMR Project

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 62,144 | \$ 16,774 | \$ 78,918 |
| 2022 | 63,398 | 15,519 | 78,917 |
| 2023 | 64,678 | 14,240 | 78,918 |
| 2024 | 65,984 | 12,934 | 78,918 |
| 2025 | 67,315 | 11,602 | 78,917 |
| 2026 | 58,081 | 10,244 | 68,325 |
| Total | <u>\$ 381,600</u> | <u>\$ 81,313</u> | <u>\$ 462,913</u> |

3. MDA CAP Loan – Water Improvement

| Year Ending <u>Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 27,070 | \$ 7,079 | \$ 34,149 |
| 2022 | 27,617 | 6,532 | 34,149 |
| 2023 | 28,174 | 5,975 | 34,149 |
| 2024 | 28,743 | 5,406 | 34,149 |
| 2025 | 29,323 | 4,826 | 34,149 |
| 2026-2030 | 155,736 | 15,009 | 170,745 |
| 2031-2033 | 69,570 | 1,520 | 71,090 |
| Total | <u>\$ 366,233</u> | <u>\$ 46,347</u> | <u>\$ 412,580</u> |

4. MS Department of Health – Water Improvement

As of the report date, this loan has not closed with the MS Department of Health. The loan is due with interest at 1.95% in monthly installments of \$17,829.53 for a period of 237 months once the construction has been completed.

The City has a series of notes with Mississippi Development Authority (MDA) in which the proceeds were used for capital acquisitions and improvements. The outstanding notes from direct borrowings contain a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule. Also, default can result in the forfeiture of sales tax allocation and/or homestead exemption reimbursements in an amount sufficient to repay obligations due.

The City has two notes with Mississippi Department of Health in which proceeds were used for water system improvements. The note payments each month is withheld from sales tax remittance

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

from the State of Mississippi. The outstanding notes from direct borrowings contain a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule. Also, default can result in the forfeiture of sales tax allocation and/or homestead exemption reimbursements in an amount sufficient to repay obligations due.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public municipalities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2020 was 17.40%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2020, 2019 and 2018 were \$1,084,991 \$996,166 and \$910,977 respectively, which equaled the required contributions for each year.

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

At September 30, 2020, the municipality reported a liability of \$18,114,840 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the municipality's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2020, the municipality's proportion was .093574 percent.

For the year ended September 30, 2020, the Municipality recognized pension expense of \$1,117,306. At September 30, 2020, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Governmental-Type Activities</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 122,475 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 136,727 | - |
| Changes in assumptions | 78,726 | - |
| Changes in proportionate share | 273,148 | - |
| Municipality contributions subsequent to the measurement date | <u>224,071</u> | <u>-</u> |
| | <u>\$ 835,147</u> | <u>\$ -</u> |

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| <u>Business-type Activities</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 34,544 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 95,014 | - |
| Changes in assumptions | 22,205 | - |
| Changes in proportionate share | 77,041 | - |
| Municipality contributions subsequent to the measurement date | <u>63,200</u> | <u>-</u> |
| | <u><u>\$ 292,004</u></u> | <u><u>\$ -</u></u> |

\$286,447 reported as deferred outflows of resources related to pensions resulting from municipality contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows/Deferred Inflow Aging:

Year ended September 30:

| | |
|------|--------------------------|
| 2021 | \$ 207,799 |
| 2022 | 452,881 |
| 2023 | <u>179,200</u> |
| | <u><u>\$ 839,880</u></u> |

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

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

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term expected real rate of return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 27.00% | 4.90% |
| International Equity | 22.00% | 4.75% |
| Global Equity | 12.00% | 5.00% |
| Fixed Income | 20.00% | 0.50% |
| Real Estate | 10.00% | 4.00% |
| Private Equity | 8.00% | 6.25% |
| Cash | 1.00% | 0.00% |
| Total | 100.00% | |

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|--|---------------------------|
| Municipality's proportionate share of the net pension liability | \$ 23,447,433 | \$ 18,114,839 | \$ 1,371,331 |

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

NOTE 8 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool:

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

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

**CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

NOTE 9 - MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE

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

NOTE 10 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL

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

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

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

| | |
|-------------------------------------|--------------------|
| <u>General Fund:</u> | |
| Fund balance (budgetary basis) | \$9,499,574 |
| Adjustment to GAAP basis: | |
| Accrued revenues | <u>291,154</u> |
| Fund balance (GAAP basis), Sept. 30 | <u>\$9,790,728</u> |

NOTE 11 – DEFICIT FUND BALANCE

The following net position deficit exists as of September 30, 2020:

| | |
|--------------|-------------|
| Airport Fund | \$(761,623) |
|--------------|-------------|

The deficit balance in the Airport Fund is primarily the result of insufficient funds in prior years used to construct the new airport. The substantial portion of the deficit occurred between 2000 and 2006. The general fund of the City had been subsidizing the Airport during those years. In recent years the Airport has been able to operate within its own budgeted expenditures due to a millage increase. The City plans to budget the prior year subsidies to clear this deficit.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 12 – COVID-19 PANDEMIC

The Coronavirus (COVID-19) pandemic broke out in March 2020, resulting in the government mandating stay-at-home orders until further notice, except for essential businesses. The City is considered an essential business, and operations from the City have not shown signs of decline due to the pandemic. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE 13 – SUBSEQUENT EVENTS

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

Management of the City of Picayune, Mississippi evaluated the activity of the city through January 22, 2021 (the date the financial statements were available to be issued), and determined the following subsequent event has occurred that require disclosure in the notes to the financial statements:

- The City accepted a donation of \$40,000 from Picayune Main Street for the construction of a new public parking lot.

CITY OF PICAYUNE, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PICAYUNE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SCHEDULE 1a

| | Budgeted Amounts | | Actual | Variances | |
|--|-------------------------|---------------------|---------------------|----------------------------|------------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| REVENUES | | | | | |
| Property and Advalorem taxes | \$ 2,486,397 | \$ 2,319,825 | \$ 2,636,050 | \$ 166,572 | \$ 316,225 |
| License and permits | 733,486 | 643,486 | 817,220 | (90,000) | 173,734 |
| Intergovernmental revenues | 5,837,135 | 5,857,297 | 6,179,874 | 20,162 | 322,577 |
| Charges for services | 6,000 | 8,250 | 1,296 | 2,250 | (6,954) |
| Fines and forfeitures | 242,750 | 242,750 | 274,892 | - | 32,142 |
| Miscellaneous | 65,000 | 61,177 | 191,658 | (3,823) | 130,481 |
| TOTAL REVENUES | <u>9,370,768</u> | <u>9,132,785</u> | <u>10,100,990</u> | <u>95,161</u> | <u>968,205</u> |
| EXPENDITURES | | | | | |
| General government | 1,798,972 | 1,895,602 | 1,581,832 | (96,630) | 313,770 |
| Public safety | 5,565,190 | 5,243,720 | 5,548,352 | 321,470 | (304,632) |
| Public works | 1,403,273 | 1,356,067 | 2,120,293 | 47,206 | (764,226) |
| Culture & recreation | - | 30,582 | - | (30,582) | 30,582 |
| Capital outlay | 1,330,248 | 670,208 | - | 660,040 | 670,208 |
| TOTAL EXPENDITURES | <u>10,097,683</u> | <u>9,196,179</u> | <u>9,250,477</u> | <u>901,504</u> | <u>(54,298)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | |
| | <u>(726,915)</u> | <u>(63,394)</u> | <u>850,513</u> | <u>996,665</u> | <u>913,907</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | 8,600 | 8,600 | 8,600 | - | - |
| Operating transfers out | (232,419) | (356,960) | (332,664) | (124,541) | 24,296 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(223,819)</u> | <u>(348,360)</u> | <u>(324,064)</u> | <u>(124,541)</u> | <u>24,296</u> |
| NET CHANGE IN FUND BALANCE | (950,734) | (411,754) | 526,449 | 872,124 | 938,203 |
| FUND BALANCE, OCTOBER 1, 2019 | <u>7,946,794</u> | <u>7,946,794</u> | <u>8,973,125</u> | - | <u>1,026,331</u> |
| FUND BALANCE, SEPTEMBER, 2020 | <u>\$ 6,996,060</u> | <u>\$ 7,535,040</u> | <u>\$ 9,499,574</u> | <u>\$ 872,124</u> | <u>\$ 1,964,534</u> |

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

CITY OF PICAYUNE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE AIRPORT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SCHEDULE 1b

| | Budgeted Amounts | | Actual | Variances | |
|--|-------------------------|---------------------|---------------------|------------------------------|----------------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| REVENUES | | | | | |
| Intergovernmental revenues | \$ - | \$ 225,110 | \$ 225,110 | \$ 225,110 | \$ - |
| Charges for services | 120,230 | 107,288 | 107,288 | (12,942) | - |
| Miscellaneous | 3,500 | 4,328 | 4,328 | 828 | - |
| TOTAL REVENUES | <u>123,730</u> | <u>336,726</u> | <u>336,726</u> | <u>212,996</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Culture & recreation | 129,551 | 277,937 | 276,930 | (148,386) | 1,007 |
| Capital outlay | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>129,551</u> | <u>277,937</u> | <u>276,930</u> | <u>(148,386)</u> | <u>1,007</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(5,821)</u> | <u>58,789</u> | <u>59,796</u> | <u>64,610</u> | <u>1,007</u> |
| OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (5,821) | 58,789 | 59,796 | 64,610 | 1,007 |
| FUND BALANCE, OCTOBER 1, 2019 | <u>(834,003)</u> | <u>(834,003)</u> | <u>(821,419)</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, SEPTEMBER, 2020 | <u>\$ (839,824)</u> | <u>\$ (775,214)</u> | <u>\$ (761,623)</u> | <u>\$ 64,610</u> | <u>\$ 1,007</u> |

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

CITY OF PICAYUNE, MISSISSIPPI

Schedule of the Municipality's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the net pension liability (asset) | 0.093574% | 0.093201% | 0.089115% | 0.087719% | 0.086799% |
| City's proportionate share of the net pension liability (asset) | \$ 18,114,839 | \$ 16,395,895 | \$ 14,822,472 | \$ 14,581,875 | \$ 15,504,469 |
| City's covered-employee payroll | \$ 6,235,585 | \$ 6,093,222 | \$ 5,783,981 | \$ 5,575,524 | \$ 5,826,565 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 290.51% | 269.08% | 256.27% | 261.53% | 266.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.97% | 61.59% | 62.54% | 61.49% | 57.47% |

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

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

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

CITY OF PICAYUNE, MISSISSIPPI

Schedule of Municipal Contributions

PERS

Last 10 Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 1,084,991 | \$ 996,166 | \$ 910,977 | \$ 878,145 | \$ 917,684 |
| Contributions in relation to the contractually required contribution | <u>\$ 1,084,991</u> | <u>\$ 996,166</u> | <u>\$ 910,977</u> | <u>\$ 878,145</u> | <u>\$ 917,684</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 6,235,585 | \$ 6,093,222 | \$ 5,783,981 | \$ 5,575,524 | \$ 5,826,565 |
| Contributions as a percentage of covered-employee payroll | 17.40% | 16.35% | 15.75% | 15.75% | 15.75% |

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

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Pension Schedules

(1) Changes of assumptions

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2017 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

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

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected using Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B)Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18-75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18-65 scaled up to 102% for ages 75-119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) Changes in benefit provisions

2016:

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

(3) Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

CITY OF PICAYUNE, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION

City of Picayune
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Federal Expenditures(\$)</i> |
|--|--------------------------------|-------------------------------------|
| Department of Transportation | | |
| Highway Planning and Construction | 20.205 | \$ 380,876 |
| <i>Total Department of Transportation</i> | | <u>380,876</u> |
| United States Department of Justice | | |
| Violence Against Women Formula Grants | 16.588 | 29,980 |
| <i>Total United States Department of Justice</i> | | <u>29,980</u> |
| Department of Transportation | | |
| Airport Improvement Program | 20.106 | 225,110 |
| <i>Total Department of Transportation</i> | | <u>225,110</u> |
| Department of the Treasury | | |
| Coronavirus Relief Fund | 21.019 | 254,784 |
| <i>Total Department of the Treasury</i> | | <u>254,784</u> |
| <i>Total Expenditures of Federal Awards</i> | | <u><u>\$ 890,750</u></u> |

The accompanying notes are an integral part of this schedule

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR SEPTEMBER 30, 2020

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Picayune, Mississippi under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Picayune, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Picayune, Mississippi.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The City of Picayune, Mississippi has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF PICAYUNE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2020

Coverage with Travelers:

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

Coverage with RLU Insurance Company:

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

CITY OF PICAYUNE, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Picayune, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Picayune, Mississippi's basic financial statements, and have issued our report thereon dated January 22, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS

January 22, 2021



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Picayune, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the year ended September 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Picayune, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Picayune, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Picayune, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Holt & Associates, PLLC

Laurel, MS

January 22, 2021



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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
City of Picayune, Mississippi

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Picayune, Mississippi as of and for the year ended September 30, 2020, and have issued our report thereon dated January 22, 2021. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding #1

Condition: The City's expenditures exceeded amounts budgeted. According to Section 21-35-15, Miss. Code Ann. (1972), expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants.

Recommendation: We recommend the City take greater care in reviewing operations and amending the budget as circumstances require.

Response: The City concurs with the audit finding and will closely monitor line items which may exceed the budgeted amount.

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

The City's response to the finding included in this report was not audited and, accordingly we express no opinion on it.

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

Holt & Associates, PLLC

Laurel, MS

January 22, 2021

CITY OF PICAYUNE, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2020

Section I: Summary of Auditor’s Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |

7. Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 20.205 | Highway Planning and Construction |

8. Dollar threshold used to distinguish between type A and type B programs:

\$750,000

CITY OF PICAYUNE, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

9. Auditee qualified as low-risk auditee? (Yes/No) No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Finding Number: 2020-01

CFDA Number and Title: 20.205 Highway Planning and Construction

Federal Agency: Department of Transportation

Compliance Requirement: Davis Bacon Act

Pass-Through Entity: Mississippi Department of Transportation

Repeat finding from prior year? No

Criteria: Construction work on federally funded projects are required to follow the Davis Bacon Act

Condition: The contractor did not submit certified payroll to comply with the Davis Bacon Act

Effect: Contractor could be paying wages below the prevailing wage rate as required by the Davis Bacon Act.

Cause: The city and engineer were unaware the project was partially funded with federal funds and therefore did not know the contractor had to comply with Davis Bacon Act.

Recommendation: All new projects should be reviewed with the funding agency to ensure if federal funds are being used and what compliance requirements should be followed. Certified payroll should be submitted for this project going forward.

CITY OF PICAYUNE, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-02

CFDA Number and Title: 20.205 Highway Planning and Construction

Federal Agency: Department of Transportation

Compliance Requirement: Procurement/Suspension and Debarment

Pass-Through Entity: Mississippi Department of Transportation

Repeat finding from prior year? No

Criteria: Construction work on federally funded projects are required to follow rules for debarment.

Condition: The City did not check for debarment of contractor before approving contract.

Effect: The City could have contracted with a contractor that had been debarred.

Cause: The city and engineer were unaware the project was partially funded with federal funds and therefore did not know the contractor had to comply with federal compliance of debarment.

Recommendation: All new projects should be reviewed with the funding agency to ensure if federal funds are being used and what compliance requirements should be followed. Contractors should be checked for debarment before contracts are approved.

CITY OF PICAYUNE, MISSISSIPPI
Corrective Action Plan
For the Year Ended September 30, 2020

Finding: 2020-01

Name of contact person(s) responsible for corrective action: Amber Hinton, City Clerk

Corrective Action Planned: All projects will be reviewed by awarding/funding agency to confirm if federal funds are being used and the necessary compliance requirements.

Anticipated Completion Date: Immediately

Finding: 2020-02

Name of contact person(s) responsible for corrective action: Amber Hinton, City Clerk

Corrective Action Planned: All projects will be reviewed by awarding/funding agency to confirm if federal funds are being used and the necessary compliance requirements. Contractors will be checked for disbarment.

Anticipated Completion Date: Immediately