

CITY OF PICAYUNE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**CITY OF PICAYUNE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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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, 2021, 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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the City of Picayune, Mississippi as of September 30, 2021, 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 (pages 8-16) and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions (pages 59-66), 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 Surety Bonds for Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 September 2, 2022 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.

Holt & Associates, PLLC

September 2, 2022

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021. 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 2021 increased \$2,505,855 (including a (\$598,343) prior period adjustment which represents a 6% increase from fiscal year 2020. Total net position for 2020 increased \$2,922,312 which represents a 8% increase from fiscal year 2019.
- General revenues amounted to \$12,911,309 and \$13,163,698 or 57% and 56% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,795,513 or 43% of total revenues for 2021, and \$10,138,284, or 44% of total revenues for 2020.
- The City had \$19,602,625 and \$20,379,670 in expenses for fiscal years 2021 and 2020; only \$9,795,513 for 2021 and \$10,138,284 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,911,309 for 2021 were adequate to provide for these programs and general revenues of \$13,163,698 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,209,939 in revenues and \$9,636,219 in expenditures for 2021, and \$10,392,144 in revenues and \$9,250,477 in expenditures for 2020. The General Fund's fund balance increased by \$672,196 from 2020 to 2021 and increased by \$817,603 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$4,593,494 for 2021 and \$1,262,012 for 2020. The increase for both years was due mainly to capital projects.
- Long-term debt decreased \$1,136,754 for 2021 and increased by \$120,751 for 2020. The decrease for 2021 was due to payments on debt. The liability for compensated absences decreased by \$14,095 for 2021 and decreased by \$9,345 for 2020.

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, 2021

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, 2021

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 major funds 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, 2021

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 \$42,784,245 as of September 30, 2021.

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, 2021 and September 30, 2020.

Table 1
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Current assets	\$ 12,732,143	16,593,622	\$ 10,397,245	10,459,803
Restricted assets	5,660,145	5,446,476	233,599	231,742
Capital assets, net	36,050,711	31,279,045	16,859,426	17,037,598
Total assets	54,442,999	53,319,143	27,490,270	27,729,143
Deferred outflow of resources	1,322,192	866,239	387,975	292,004
Current liabilities	6,087,742	6,323,693	6,318,583	5,598,355
Net pension liability	10,243,640	14,129,575	3,059,788	3,985,265
Long-term debt outstanding	6,183,752	7,007,117	3,949,981	4,884,134
Total liabilities	22,515,134	27,460,385	13,328,352	14,467,754
Deferred inflow of resources	3,862,092	-	1,153,612	-
Net position:				
Net investment in capital assets	29,796,972	24,202,614	12,223,770	12,087,880
Restricted	1,412,318	1,758,441	233,599	231,742
Unrestricted	(1,821,326)	763,942	938,912	1,233,771
Total net position	\$ 29,387,964	26,724,997	\$ 13,396,281	13,553,393

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 \$4,593,494.
- The principal retirement of \$1,147,682 of long-term debt.
- Decrease to the pension liability of \$4,811,412.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Changes in net position

The City's total revenues for the fiscal years ended September 30, 2021 and September 30, 2020 were \$22,706,822 and \$23,301,982, respectively. The total cost of all programs and services was \$19,602,625 for 2021 and \$20,379,670 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2021 and September 30, 2020.

**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, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Revenues:				
Program revenues:				
Charges for services	\$ 1,213,220	\$ 1,226,076	\$ 8,582,293	\$ 8,912,208
General revenues:				
General purpose Tax Levies	3,734,156	3,952,859	-	-
Sales Tax	6,289,820	5,652,977	-	-
Intergovernmental Revenue	2,384,124	1,668,199	49,321	-
Transfers	(155,637)	(297,135)	155,637	297,135
Other	289,107	428,048	164,781	1,461,615
Total revenues	13,754,790	12,631,024	8,952,032	10,670,958
Expenses:				
General Government	2,896,349	2,535,174	-	-
Public Safety	5,067,750	5,692,731	-	-
Public Works	2,054,697	2,189,089	-	-
Health and welfare	535,897	488,784	-	-
Culture and recreation	414,008	423,581	-	-
Utility	-	-	8,285,893	8,559,224
Cemetery	-	-	119,342	116,150
Interest on long-term liabilities	123,123	294,260	105,566	80,677
Total expenses	11,091,824	11,623,619	8,510,801	8,756,051
Increase (Decrease) in net position	2,662,966	1,007,405	441,231	1,914,907
Net Position, Oct 1	26,724,998	25,717,592	13,553,393	11,638,486
Prior Period Adjustment	-	-	(598,343)	-
Net Position, Oct 1, as restated	26,724,998	25,717,592	12,955,050	11,638,486
Net Position, Sept 30	\$ 29,387,964	\$ 26,724,997	\$ 13,396,281	\$ 13,553,393

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Government	\$ 2,896,349	\$ 2,535,174	\$ -	\$ -
Public Safety	5,067,750	5,692,731	-	-
Public Works	2,054,697	2,189,089	-	-
Health and Welfare	535,897	488,784	-	-
Culture and Recreation	414,008	423,581	-	-
Utility	-	-	8,285,893	8,559,224
Cemetery	-	-	119,342	116,150
Interest on long-term liabilities	123,123	294,260	105,566	80,677
Total Expenses	<u>\$ 11,091,824</u>	<u>\$ 11,623,619</u>	<u>\$ 8,510,801</u>	<u>\$ 8,756,051</u>
	<u>Net (Expense) Revenue</u>		<u>Net (Expense) Revenue</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Government	\$ (2,042,779)	\$ (1,706,837)	\$ -	\$ -
Public Safety	(4,824,624)	(5,406,608)	-	-
Public Works	(2,054,697)	(2,189,089)	-	-
Health and Welfare	(535,897)	(488,784)	-	-
Culture and Recreation	(297,485)	(311,965)	-	-
Utility	-	-	236,930	312,752
Cemetery	-	-	(59,872)	(75,918)
Interest on long-term liabilities	(123,123)	(294,260)	(105,566)	(80,677)
Total Expenses	<u>\$ (9,878,605)</u>	<u>\$ (10,397,543)</u>	<u>\$ 71,492</u>	<u>\$ 156,157</u>

Net cost of governmental activities (\$9,878,605 for 2021 and \$10,397,543 for 2020) was financed by general revenue, which is primarily made up of property and sales taxes (\$10,023,976 for 2021 and \$9,605,836 for 2020) and state and federal revenues (\$2,384,124 for 2021 and \$1,668,199 for 2020).

Investment earnings amounted to \$128,270 for 2021 \$137,495 for 2020.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 \$13,239,821 a decrease of \$3,504,962. \$10,233,564 or 77% 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 \$3,006,257 or 23% 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 \$672,196. The fund balance of Other Governmental Funds showed a decrease in the amount of \$4,177,158. 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	\$ (6,829)
Economic Development Fund	\$ 129,704
General Obligation Bond Fund	\$ (4,916,663)

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, 2021, the City's total capital assets were \$36,050,711 in the governmental activities and \$16,859,426 in the business type activities, including land, buildings, building improvements, vehicles, furniture and equipment, and infrastructure. This amount represents an increase of \$4,771,666 in governmental activities and a decrease of \$178,172 in the business-type activities from 2020. Total accumulated depreciation as of September 30, 2021, was \$44,426,965 and \$8,314,028, and total depreciation expense for the year was \$1,618,198 and \$701,407 in the governmental activities and business-type activities, respectively.

CITY OF PICAYUNE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Table 4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business Activities	
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
Land	\$ 2,531,751	\$ 2,531,751	\$ 172,599	\$ 172,599
Construction in progress	6,306,847	318,915	-	5,084,994
Buildings & improvements	5,136,499	6,085,184	81,802	230,001
Furniture & equipment	359,148	285,104	329,795	146,825
Mobile equipment	695,838	611,904	171,760	146,369
Capital Lease Equipment	54,296	62,650	215,771	244,541
Infrastructure	20,966,332	21,383,537	15,887,699	11,012,269
Total	\$ 36,050,711	\$ 31,279,045	\$ 16,859,426	\$ 17,037,598

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

Debt Administration. At September 30, 2021, the City had \$7,066,884 in outstanding long-term debt in its governmental funds, of which \$883,132 is due within one year and \$4,843,054 in outstanding long-term debt in its business-type activities of which \$272,954 is due within one year. The liability for compensated absences decreased \$22,668 in the governmental funds and increased \$8,573 in the business-type activities from the prior year.

Table 5
Outstanding Long-Term Debt

	Governmental Activities		Business-type Activities	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
General obligation bonds payable	\$ 6,024,775	\$ 6,810,775	\$ 2,045,225	\$ 2,194,225
Notes Payable	228,964	265,656	2,590,431	2,755,493
Obligations under capital lease	-	-	-	-
Compensated Absences payable	813,145	835,813	211,059	198,825
Total	\$ 7,066,884	\$ 7,912,244	\$ 4,846,715	\$ 5,148,543

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, 2021

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, 2021

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,979,074	\$ 4,135,071	\$ 12,114,145
Restricted assets	753,307	233,599	986,906
Investments	2,291,017	2,957,912	5,248,929
Receivables, accounts	579,945	1,418,042	1,997,987
Due from other governments	3,793,528	-	3,793,528
Notes Receivable	649,671	-	649,671
Other Receivables	199,805	-	199,805
Prepaid Assets	178,155	12,906	191,061
Inventory	389,725	277,423	667,148
Due from other Funds	1,578,059	1,595,891	3,173,950
Capital Assets	36,050,711	16,859,426	52,910,137
Total Assets	<u>54,442,997</u>	<u>27,490,270</u>	<u>81,933,267</u>
Deferred Outflows of Resources			
Deferred outflow related to bond issuance	23,319	-	23,319
Deferred outflow related to pensions	1,298,873	387,975	1,686,848
Total Deferred Outflows of Resources	<u>1,322,192</u>	<u>387,975</u>	<u>1,710,167</u>
Liabilities			
Accounts payable and accrued liabilities	1,915,194	661,065	2,576,259
Customer deposits	-	784,508	784,508
Accrued Interest	52,143	56,667	#REF!
Other payables	252,894	94,426	146,569
Due to other funds	-	3,173,950	3,173,950
Deferred revenue	2,836,930	-	2,836,930
Due to other governments	147,448	651,233	798,681
Long-term liabilities, due within one year:			
Capital related liabilities	842,475	253,072	1,095,547
Non-capital related liabilities	40,657	9,941	50,598
Long-term liabilities, due beyond one year:			
Capital related liabilities	5,411,264	4,376,304	9,787,568
Non-capital related liabilities	772,488	197,457	969,945
Net pension liability	10,243,640	3,059,788	13,303,428
Total Liabilities	<u>22,515,133</u>	<u>13,318,411</u>	<u>#REF!</u>
Deferred Inflows of Resources			
Deferred inflow related to pensions	3,862,092	1,153,612	5,015,704
Total Deferred Inflows of Resources	<u>3,862,092</u>	<u>1,153,612</u>	<u>5,015,704</u>
Net Position			
Net investment in capital assets	29,796,972	12,220,109	42,017,081
Restricted	1,482,075	233,599	1,715,674
Unrestricted	(1,891,083)	942,573	(948,510)
Total Net Position (deficit)	<u>\$ 29,387,964</u>	<u>\$ 13,396,281</u>	<u>\$ 42,784,245</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, 2021**

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 2,896,349	\$ 853,571	\$ -	\$ -	(2,042,779)	\$ -	\$ (2,042,779)
Public safety	5,067,750	243,126	-	-	(4,824,624)	-	(4,824,624)
Public works	2,054,697	-	-	-	(2,054,697)	-	(2,054,697)
Health & welfare	535,897	-	-	-	(535,897)	-	(535,897)
Culture & recreation	414,008	116,523	-	-	(297,485)	-	(297,485)
Interest on long-term liabilities	123,123	-	-	-	(123,123)	-	(123,123)
Total Governmental Activities	\$ 11,091,824	\$ 1,213,220	\$ -	\$ -	(9,878,605)	\$ -	\$ (9,878,606)
Business -type activities:							
Water, Gas & Sewer	8,285,893	8,522,823	-	-	-	236,930	236,930
Cemetery	119,342	59,470	-	-	-	(59,872)	(59,872)
Interest on debt	105,566	-	-	-	-	(105,566)	(105,566)
Total business-type activities	8,510,801	8,582,293	-	-	-	71,492	71,492
Total primary government	\$ 19,602,625	\$ 9,795,513	\$ -	\$ -	(9,878,605)	\$ 71,492	\$ (9,807,113)

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, 2021**

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
		General Revenues:					
		Taxes:					
					6,289,821	-	6,289,821
					3,734,156	-	3,734,156
		Unrestricted grants and contributions:					
					2,384,123	49,321	2,433,444
					79,639	48,631	128,270
					(155,637)	155,637	-
					(12,229)	-	(12,229)
					221,697	116,150	337,847
					<u>12,541,571</u>	<u>369,739</u>	<u>12,911,309</u>
					2,662,966	441,231	3,104,196
					26,724,998	13,553,393	40,278,391
					-	(598,343)	(598,343)
					<u>26,724,998</u>	<u>12,955,050</u>	<u>39,680,048</u>
					\$ 29,387,964	\$ 13,396,281	\$ 43,382,587

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, 2021

EXHIBIT C

	Major Funds					Total Governmental Funds
	General Fund	Airport Fund	Economic Development Fund	GO Bond Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 5,825,680	\$ 311,876	573,906	753,307	\$ 1,267,612	\$ 8,732,381
Investments	2,077,348	-	155,317	-	58,352	2,291,017
Due from other funds	4,377,928	-	-	-	89,710	4,467,638
Receivables, Other	4,464,566	-	108,212	-	500	4,573,278
Notes Receivable	69,757	-	579,914	-	-	649,671
Prepaid Expenses	159,603	3,751	14,801	-	-	178,155
Inventory	-	-	389,727	-	-	389,727
Total assets	<u>\$ 16,974,882</u>	<u>\$ 315,627</u>	<u>1,821,877</u>	<u>753,307</u>	<u>\$ 1,416,174</u>	<u>\$ 21,281,867</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,654,946	\$ 5,105	27,939	223,494	\$ 3,711	\$ 1,915,195
Deferred Revenues	2,836,930	-	-	-	-	2,836,930
Due to other funds	1,683,665	1,078,974	16,851	-	110,089	2,889,579
Due to other governments	147,448	-	-	-	-	147,448
Other payables	188,969	-	-	-	63,925	252,894
Total Liabilities	<u>6,511,958</u>	<u>1,084,079</u>	<u>44,790</u>	<u>223,494</u>	<u>177,725</u>	<u>8,042,046</u>
Fund Balances:						
Nonspendable:						
Prepaid Expenses	159,603	3,751	14,801	-	-	178,155
Inventory	-	-	389,727	-	-	389,727
Notes receivable	69,757	-	579,914	-	-	649,671
Restricted:						
Debt service	-	-	228,964	0	-	228,964
Capital projects	-	-	-	529,813	-	529,813
Unemployment benefits	-	-	-	-	35,558	35,558
Committed:						
City Projects	-	-	-	-	31,560	31,560
Assigned:						
Airport	-	(772,203)	-	-	-	(772,203)
Economic Development Projects	-	-	563,681	-	-	563,681
	-	-	-	-	1,171,331	1,171,331
Unassigned	<u>10,233,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,233,564</u>
Total Fund Balances	<u>10,462,924</u>	<u>(768,452)</u>	<u>1,777,087</u>	<u>529,813</u>	<u>1,238,449</u>	<u>13,239,821</u>
Total Liabilities and Fund Balances	<u>\$ 16,974,882</u>	<u>\$ 315,627</u>	<u>1,821,877</u>	<u>753,307</u>	<u>\$ 1,416,174</u>	<u>\$ 21,281,867</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, 2021**

EXHIBIT C-1

Total fund balances for governmental funds \$ 13,239,821

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		6,306,847	
Building improvements		9,198,003	
Capital lease equipment		104,419	
Mobile equipment		1,528,863	
Furniture and equipment		4,314,728	
Improvements other than buildings		56,493,065	
Accumulated depreciation		<u>(44,426,965)</u>	36,050,711

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		(10,243,640)	
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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		1,298,873	
Deferred outflows of resources related to bonds		23,319	
Deferred inflows of resources related to pensions		<u>(3,862,092)</u>	(12,783,540)

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		(6,024,775)	
Notes payable		(228,964)	
Capital Leases		-	
Compensated absences		(813,145)	
Accrued interest payable		<u>(52,143)</u>	(7,119,027)

Net Position of governmental activities \$ 29,387,964

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, 2021

EXHIBIT D

	Major Funds					Total Governmental Funds
	General Fund	Airport Fund	Economic Development Fund	GO Bond Fund	Other Governmental Funds	
Revenues:						
Property and Advalorem Taxes	\$ 2,891,150	\$ -	\$ -	\$ -	\$ 843,006	\$ 3,734,156
License and permits	846,247	-	-	-	-	846,247
Intergovernmental revenue	8,078,735	-	595,209	-	-	8,673,944
Charges for services	2,585	116,523	-	-	4,739	123,847
Fines and forfeitures	238,363	-	-	-	4,763	243,126
Miscellaneous	152,859	-	102,487	40,561	5,429	301,336
Total Revenues	12,209,939	116,523	697,696	40,561	857,937	13,922,656
Expenditures:						
General government	2,013,197	-	-	-	7,021	2,020,218
Public safety	5,613,384	-	-	-	-	5,613,384
Public works	2,009,638	-	-	-	24,504	2,034,142
Health and welfare	-	-	490,254	-	15,985	506,239
Culture & Recreation	-	123,352	-	-	-	123,352
Capital Outlay	-	-	-	5,987,932	-	5,987,932
Debt Service:						-
Principal	-	-	-	-	822,692	822,692
Interest	-	-	-	-	186,457	186,457
Other	-	-	-	-	-	-
Total Expenditures	9,636,219	123,352	490,254	5,987,932	1,056,659	17,294,416
Excess (Deficiency) of Revenues over (under) Expenditures	2,573,720	(6,829)	207,442	(5,947,371)	(198,722)	(3,371,760)
Other Financing Sources (Uses):						
Sale of assets	22,435	-	-	-	-	22,435
Operating transfers in	8,600	-	141,500	1,030,708	860,006	2,040,814
Operating transfers out	(1,932,559)	-	(219,238)	-	(44,654)	(2,196,451)
Total Other Financing Sources (Uses)	(1,901,524)	-	(77,738)	1,030,708	815,352	(133,202)
Net Change in Fund Balances	672,196	(6,829)	129,704	(4,916,663)	616,630	(3,504,962)
Fund Balances:						
October 1, 2020	9,790,728	(761,623)	1,647,383	5,446,476	621,819	16,744,783
September 30, 2021	\$ 10,462,924	\$ (768,452)	\$ 1,777,087	\$ 529,813	\$ 1,238,449	\$ 13,239,821

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
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT D-1

Net change in fund balances - total governmental funds \$ (3,504,962)

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	\$ 6,424,528	
Depreciation expense	<u>(1,618,198)</u>	4,806,330

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by (34,664)

3. 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	822,692	
Accrued interest payable	<u>71,107</u>	893,799

4. 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	263,497	
Recording of contributions made subsequent to the measurement date	<u>224,071</u>	487,568

5. 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	22,668	
Amortization of deferred charges, premiums and discounts	<u>(7,773)</u>	14,895

Change in Net Position of governmental activities		<u><u>\$ 2,662,966</u></u>
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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, 2021**

EXHIBIT E

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 3,891,860	\$ 243,211	\$ 4,135,071
Restricted Cash	233,599	-	233,599
Investments	2,843,400	114,512	2,957,912
Accounts receivable (net)	1,379,414	38,628	1,418,042
Due from other funds	1,592,741	3,150	1,595,891
Prepaid Assets	12,906	-	12,906
Inventory	147,825	129,598	277,423
Total current assets	10,101,745	529,099	10,630,844
 NONCURRENT ASSETS			
Capital assets (net)	16,722,438	136,988	16,859,426
 TOTAL ASSETS			
	\$ 26,824,183	\$ 666,087	\$ 27,490,270
 DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	\$ 387,975	\$ -	\$ 387,975

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, 2021**

EXHIBIT E

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Utility Fund</u>	<u>Cemetery Fund</u>	
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 648,070	\$ 12,995	\$ 661,065
Accrued interest	56,667	-	56,667
Other payables	94,426	-	94,426
Customer deposits	784,508	-	784,508
Due to other funds	3,173,950	-	3,173,950
Due to other governments	651,233	-	651,233
Long-term liabilities, due within one year	263,013	-	263,013
Total current liabilities	5,671,867	12,995	5,684,862
LONG-TERM LIABILITIES			
Accrued compensation	207,398	-	207,398
Long-term liabilities, due beyond one year	4,376,304	-	4,376,304
Pension liability	3,059,788	-	3,059,788
Total long-term liabilities	7,643,490	-	7,643,490
TOTAL LIABILITIES	\$ 13,315,357	\$ 12,995	\$ 13,328,352
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pension liability	\$ 1,153,612	\$ -	\$ 1,153,612
NET ASSETS			
Invested in capital assets, net of related debt	\$ 12,083,121	\$ 136,988	\$ 12,220,109
Net Position: Restricted	233,599	-	233,599
Net Position: Unrestricted	426,469	516,104	942,573
TOTAL NET POSITION	\$ 12,743,189	\$ 653,092	\$ 13,396,281

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 YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT F

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 8,522,823	\$ -	\$ 8,522,823
Plot Sales	-	59,470	59,470
	8,522,823	59,470	8,582,293
Total operating revenues			
OPERATING EXPENSES:			
Personal services	1,963,536	97,921	2,061,457
Supplies	1,655,515	7,899	1,663,414
Contractual services	3,967,753	11,204	3,978,957
Depreciation	699,089	2,318	701,407
	8,285,893	119,342	8,405,235
Total operating expenses			
Operating income	236,930	(59,872)	177,058
NON-OPERATING REVENUES (EXPENSES):			
Other miscellaneous income	116,150	-	116,150
Grant revenues	49,321	-	49,321
Interest income	46,199	2,432	48,631
Interest expense	(105,566)	-	(105,566)
Operating Transfers In	51,401	104,236	155,637
	157,505	106,668	264,173
Total non-operating revenues (expenses)			
NET INCOME	394,435	46,796	441,231
Net position, October 1	12,947,097	606,296	13,553,393
Prior Period Adjustment	(598,343)	-	(598,343)
Net position, October 1 restated	12,348,754	606,296	12,955,050
Net position, September 30	\$ 12,743,189	\$ 653,092	\$ 13,396,281

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, 2021**

EXHIBIT G

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 8,741,918	\$ 61,381	\$ 8,803,299
Payments to suppliers	(5,651,740)	(14,725)	(5,666,465)
Payments to employees	(1,820,817)	(99,903)	(1,920,720)
Net cash flows from operating activities	1,269,361	(53,247)	1,216,114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest income	46,199	2,432	48,631
Miscellaneous income	139,691	-	139,691
Cash payments (to) from governmental funds	38,198	104,051	201,053
Cash payments (to) from other governments	97,002	-	-
Net cash provided by noncapital financing activities	321,090	106,483	389,375
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	(1,121,578)	-	(1,121,578)
Principal paid on capital debt	(324,990)	-	(324,990)
Interest paid on capital debt	(82,279)	-	(82,279)
Net cash provided by noncapital financing activities	(1,528,847)	-	(1,528,847)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(15,841)	(876)	(16,717)
Net cash provided by investing activities	(15,841)	(876)	(16,717)
NET INCREASE (DECREASE) IN CASH	45,763	52,360	98,123
Cash, October 1	4,079,696	190,851	4,270,547
Cash, September 30	\$ 4,125,459	\$ 243,211	\$ 4,368,670
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 236,930	\$ (59,872)	\$ 177,058
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	699,089	2,318	701,407
Change in assets and liabilities:			
Receivables, net of allowances	202,674	1,911	204,585
Prepaid assets	-	-	-
Inventory	(20,132)	-	(20,132)
Deferred outflows related to pensions	(95,971)	-	(95,971)
Accounts payable	50,425	6,711	57,136
Other payables	(58,765)	(2,333)	(61,098)
Customer deposits	16,421	-	16,421
Accrued compensation	10,555	(1,982)	8,573
Deferred inflows related to pensions	1,153,612	-	1,153,612
Pension liability	(925,477)	-	(925,477)
Net cash flows from operating activities	\$ 1,269,361	\$ (53,247)	\$ 1,216,114

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, 2021

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, 2021

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, 2021

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.

Economic Development Fund - This is the fund that accounts for monies used for development of industry within the city.

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

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
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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

CITY OF PICAYUNE, MISSISSIPPI
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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).

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.

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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.

CITY OF PICAYUNE, MISSISSIPPI
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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 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.

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- 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. 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:

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.
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	\$ 23,319
Deferred outflows related to pensions	\$ 1,686,848
Deferred inflows related to pensions	(\$5,015,704)

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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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
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Cash and Cash Equivalents.

The carrying amount of the City’s deposits with financial institutions was \$18,349,980 and \$15,137,695, and the bank balance was \$18,429,184 and \$15,078,263 for 2021 and 2020, 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, 2021, 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	\$ 542,501	9/20/2023
11005006	1,534,848	2/6/2022
Other Governmental Funds:		
11005019	213,669	3/12/2022
Total Governmental	\$ 2,291,018	
Enterprise Funds:		
11005019	485,930	3/12/2022
1005414	1,053,818	8/4/2022
11005848	1,418,164	4/22/2022
Total Business-type	\$ 2,957,912	

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.

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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.

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, 2021, 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, 2021 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 <u>Activities</u>	Businesss-type <u>Activities</u>	Total <u>Government-wide</u>
Property and ad valorem tax	\$ 2,836,930	\$ -	\$ 2,836,930
Sales Tax	956,598	-	956,598
Franchise Tax	180,032	-	180,032
Fines Receivable, gross	7,112,372	-	7,112,372
Accounts Receivable, gross	108,212	1,446,080	1,554,292
Other receivables	89,783	-	89,783
Total Receivables, Gross	<u>11,283,927</u>	<u>1,446,080</u>	<u>12,730,007</u>
Less: Allowance for doubtful accounts	<u>(6,710,649)</u>	<u>(28,038)</u>	<u>(6,738,687)</u>
Total Receivables, Net	<u>\$ 4,573,278</u>	<u>\$ 1,418,042</u>	<u>\$ 5,991,320</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

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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, 2021 was \$579,914 and is included as Notes Receivable in the Statement of Net Position.

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, 2021 was \$69,757 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	Other Governmental funds	\$ 108,153
	Airport fund	1,078,974
	Economic Development fund	16,851
	Utility fund	3,173,950
Other Governmental funds	General Fund	89,710
Cemetery Fund	General Fund	3,150
Utility Fund	General Fund	1,590,805
	Other Governmental funds	<u>1,936</u>
		<u>\$ 6,063,529</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.

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<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 8,600
Economic Development Fund	General Fund	141,500
GO Bond Fund	General Fund	1,030,708
Other Governmental funds	General Fund	656,115
	Economic Development Fund	203,891
Cemetery Fund	General Fund	104,236
Utility Fund	Economic Development Fund	15,347
	Other Governmental Funds	36,054
		<u>\$ 2,196,451</u>

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

NOTE 5 - CAPITAL ASSETS

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

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	Begin	Increases	Decreases	Completed construction	End
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,531,751	\$ -	\$ -	\$ -	2,531,751
Construction in progress	318,915	5,987,932	-	-	6,306,847
Total non-depreciable capital assets	<u>2,850,666</u>	<u>5,987,932</u>	<u>-</u>		<u>8,838,598</u>
<u>Depreciable capital assets:</u>					
Buildings & Improvements	9,180,680	17,323	-	-	9,198,003
Mobile equipment	1,372,911	155,952	-	-	1,528,863
Capital Lease Equipment	104,419	-	-	-	104,419
Furniture and equipment	4,245,163	176,325	106,760	-	4,314,728
Improvements other than buildings	56,406,069	86,996	-	-	56,493,065
Total depreciable capital assets	<u>71,309,242</u>	<u>436,596</u>	<u>106,760</u>		<u>71,639,078</u>
<u>Less accumulated depreciation for:</u>					
Buildings & Improvements	3,095,496	966,008	-	-	4,061,504
Mobile equipment	761,007	72,018	-	-	833,025
Capital Lease Equipment	41,769	8,354	-	-	50,123
Furniture and equipment	3,960,059	67,617	72,096	-	3,955,580
Improvements other than buildings	35,022,532	504,201	-	-	35,526,733
Total accumulated depreciation	<u>42,880,863</u>	<u>1,618,198</u>	<u>72,096</u>		<u>44,426,965</u>
Total depreciable capital assets, net	<u>31,279,045</u>	<u>(1,181,602)</u>	<u>34,664</u>		<u>27,212,113</u>
Governmental activities capital assets, net	<u>\$ 31,747,522</u>	<u>\$ 4,806,330</u>	<u>\$ 34,664</u>	<u>\$</u>	<u>\$ 36,050,711</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 972,601
Public Safety	92,974
Public Works	216,227
Health & Welfare	44,284
Culture & Recreation	292,112
	<u>\$ 1,618,198</u>

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

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	Begin	Increases	Decreases	Completed construction	Adjustments	End
Business-type Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 172,599	\$ -	\$ -	\$ -	\$ -	172,599
Construction in progress	5,084,994	982,659	-	(5,423,600)	(644,053)	-
Total non-depreciable capital assets	<u>5,257,593</u>	<u>982,659</u>	<u>-</u>		<u>(644,053)</u>	<u>172,599</u>
<u>Depreciable capital assets:</u>						
Buildings	294,292	-	-	-	(143,721)	150,571
Machinery and equipment	967,298	-	-	-	213,061	1,180,359
Mobile equipment	781,560	138,919	-	-	(87,454)	833,025
Capital Lease Equipment	359,621	-	-	-	-	359,621
Improvements other than buildings	16,989,855	-	-	5,423,600	63,824	22,477,279
Total depreciable capital assets	<u>19,392,626</u>	<u>138,919</u>	<u>-</u>		<u>45,710</u>	<u>25,000,855</u>
<u>Less accumulated depreciation for:</u>						
Buildings	64,291	4,478	-	-	-	68,769
Machinery and equipment	820,473	30,091	-	-	-	850,564
Mobile equipment	635,191	26,074	-	-	-	661,265
Capital Lease Equipment	115,080	28,770	-	-	-	143,850
Improvements other than buildings	5,977,586	611,994	-	-	-	6,589,580
Total accumulated depreciation	<u>7,612,621</u>	<u>701,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,314,028</u>
Total depreciable capital assets, net	<u>11,780,005</u>	<u>(562,488)</u>	<u>-</u>	<u>-</u>	<u>45,710</u>	<u>16,686,827</u>
Business-type activities capital assets, net	<u>\$ 17,037,598</u>	<u>\$ 420,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(598,343)</u>	<u>\$ 16,859,426</u>

Depreciation expense charged to the enterprise fund totaled \$701,407.

	<u>Construction Commitment:</u>		<u>Remaining</u>	<u>Funding</u>
	<u>Contract amt</u>	<u>Paid</u>	<u>Commitment</u>	<u>Source</u>
City Wide Paving	\$ 6,632,020	\$ 6,306,846	\$ 325,174	Bond Issue

NOTE 6 - LONG – TERM LIABILITIES

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

	<u>Balance</u> <u>10/1/2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2021</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$ 6,810,775	\$ -	\$ 786,000	\$ 6,024,775	\$ 805,650
Notes from Direct Borrowings	265,656	-	36,692	228,964	36,825
Compensated Absences	835,813	-	22,668	813,145	40,657
	<u>\$ 7,912,244</u>	<u>\$ -</u>	<u>\$ 845,360</u>	<u>\$ 7,066,884</u>	<u>\$ 883,132</u>

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

	<u>Balance</u> <u>10/1/2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2021</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$ 2,194,225	\$ -	\$ 149,000	\$ 2,045,225	\$ 145,225
Notes from Direct Borrowings	2,766,421	-	175,990	2,590,431	107,847
Compensated Absences	198,825	12,234	-	211,059	9,941
	<u>\$ 3,783,312</u>	<u>\$ 12,234</u>	<u>\$ 324,990</u>	<u>\$ 4,846,715</u>	<u>\$ 263,013</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, 2021

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	\$ 624,775
2. General Obligation, Series 2019	Variable	5/9/2019	7/1/2029	6,000,000	5,400,000
					<u>\$ 6,024,775</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>
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>\$ 624,775</u>	<u>\$ 29,051</u>	<u>\$ 653,826</u>

2. General Obligation Bonds, Series 2019

Year Ending <u>Sept 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	685,000	76,815	761,815
2027-2029	<u>2,160,000</u>	<u>117,720</u>	<u>2,277,720</u>
Total	<u>\$ 5,400,000</u>	<u>\$ 676,485</u>	<u>\$ 6,076,485</u>

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

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	\$ 2,040,000
2. General Obligation Refunding , Series 2014	Variable	6/30/2014	7/1/2024	242,578	5,225
					<u>\$ 2,045,225</u>

1. Utility System Revenue Bonds, Series 2013

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Year Ending Sept 30	Principal	Interest	Total
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	160,000	41,838	201,838
2027 - 2031	890,000	140,113	1,030,113
2032 - 2033	400,000	35,850	435,850
Total	<u>\$ 2,040,000</u>	<u>\$ 422,089</u>	<u>\$ 2,462,089</u>

2. General Obligation Refunding Bonds, Series 2017

Year Ending Sept 30	Principal	Interest	Total
2022	<u>\$ 5,225</u>	<u>\$ 1,067</u>	<u>\$ 6,292</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, 2021, the amount of outstanding debt was equal to 10% of the latest property assessments.

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	<u>\$ 228,964</u>
					<u>\$ 228,964</u>

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Year Ending Sept 30	Principal	Interest	Total
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	41,514	1,745	43,259
2027	33,292	402	33,694
Total	<u>\$ 228,964</u>	<u>\$ 21,025</u>	<u>\$ 249,989</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	\$ 35,849
2. MDA CAP Loan - AMR Project	2.00%	3/7/2011	3/1/2027	\$ 1,300,000	\$ 262,069
3. MDA Cap Loan - Water Improvement	2.00%	11/1/2010	11/4/2032	\$ 562,530	\$ 338,521
4. MS Dept of Health - Water Improvement	1.95%	9/29/2017	-	\$ 3,504,700	\$ 1,953,992
					<u>\$ 2,590,431</u>

1. MS Dept of Health-Drinking Water Systems Improvements

Year Ending Sept 30	Principal	Interest	Total
2022	\$ 16,832	\$ 1,035	\$ 17,867
2023	17,430	437	17,867
2024	1,587	24	1,611
Total	<u>\$ 35,849</u>	<u>\$ 1,496</u>	<u>\$ 37,345</u>

2. MDA Cap Loan – AMR Project

Year Ending Sept 30	Principal	Interest	Total
2022	\$ 63,398	\$ 15,519	\$ 78,917
2023	64,678	14,240	78,918
2024	65,984	12,934	78,918
2025	68,009	10,908	78,917
Total	<u>\$ 262,069</u>	<u>\$ 53,601</u>	<u>\$ 315,670</u>

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

3. MDA CAP Loan – Water Improvement

Year Ending <u>Sept 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	29,915	4,234	34,149
2027 - 2031	158,879	11,866	170,745
2032 - 2033	<u>35,870</u>	<u>429</u>	<u>36,299</u>
Total	<u>\$ 338,521</u>	<u>\$ 39,268</u>	<u>\$ 377,789</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. A last request of funds for \$1,550,708 was requested in September, 2021. As of the report date, the request has not been received from MS Department of Health.

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 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.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 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 9.0% 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, 2021 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, 2021, 2020 and 2019 were

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

\$1,033,472, \$1,084,991 and \$996,166 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, 2021, the municipality reported a liability of \$13,303,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the municipality's proportion was .090007 percent.

For the year ended September 30, 2021, the Municipality recognized pension expense of \$678,068. At September 30, 2020, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Difference between expected and actual experience	\$ 166,592	\$ 49,761	\$ 216,353
Changes in assumptions	789,392	235,793	1,025,185
Changes in proportion and difference between contributions	127,727	38,152	165,879
City's contributions subsequent to the measurement date	215,162	64,269	279,431
Total	<u>\$ 1,298,873</u>	<u>\$ 387,975</u>	<u>\$ 1,686,848</u>

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between projected and actual earnings on pension plan investments	\$ 2,215,883	\$ 661,887	\$ 2,877,770
Changes in proportion and difference between contributions	1,646,209	491,725	2,137,934
Total	\$ 3,862,092	\$ 1,153,612	\$ 5,015,704

\$279,431 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, 2021. 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:

2022	\$ (707,858)
2023	(981,540)
2024	(1,117,605)
2025	(801,285)
	\$ (3,608,288)

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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%	4.60%
International Equity	22.00%	4.50%
Global Equity	12.00%	4.80%
Fixed Income	20.00%	-0.25%
Real Estate	10.00%	3.75%
Private Equity	8.00%	6.00%
Cash	1.00%	-1.00%
 Total	 100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.55 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 percent) and that employer contributions will be made at the current contribution rate (17.40 percent). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Municipality's proportionate share of the net pension liability	\$ 18,840,773	\$ 13,303,428	\$ 8,740,215

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 – CONTINGENCIES

Federal Grants – The city has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the city.

Litigation –The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the city with respect to the various proceedings. However, the city's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the city.

NOTE 9 - 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.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

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 10 - 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.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 11 - 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)	\$ 10,104,348
Adjustment to GAAP basis:	
Accrued Revenues	358,576
Fund balance (GAAP basis), Sept. 30	<u>\$ 10,462,924</u>

<u>Economic Development Fund:</u>	
Fund balance (budgetary basis)	\$ 1,761,595
Adjustment to GAAP basis:	
Accrued Revenues	-
Fund balance (GAAP basis), Sept. 30	<u>\$ 1,777,087</u>

NOTE 12 – DEFICIT FUND BALANCE

The following net position deficit exists as of September 30, 2021:

Airport Fund	\$(768,452)
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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, 2021

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The prior period financials for the proprietary funds and business-type activities were restated for a correction of an error. Reimbursements for construction projects in the amount of \$598,343 were deducted from capital projects. The following accounts were affected:

Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds and Statement of Activities:

Beginning Net position	\$12,947,097
Restated for correct of error	\$12,348,754

Statement of Net Assets and Statement of Net Position:

Capital Assets, Net before correction of error	\$17,037,598
Capital Assets, Net after correction of error	\$16,439,255

NOTE 14 – 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 September 2, 2022 (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 entered into a lease purchase for ten police vehicles in the amount of \$370,240. The City requested but has not yet received the last draw from the MS Department of Health for the water improvement loan in the amount of \$1,550,708.

CITY OF PICAYUNE, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PICAYUNE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property and Advalorem taxes	\$ 2,736,841	\$ 2,962,987	\$ 2,644,805	\$ (226,146)	\$ (318,182)
License and permits	729,600	741,700	846,247	12,100	104,547
Intergovernmental revenues	5,573,978	6,246,939	7,966,504	672,961	1,719,565
Charges for services	6,000	-	2,585	(6,000)	2,585
Fines and forfeitures	242,750	242,750	238,363	-	(4,387)
Miscellaneous	65,000	125,328	152,859	60,328	27,531
TOTAL REVENUES	<u>9,354,169</u>	<u>10,319,704</u>	<u>11,851,363</u>	<u>513,243</u>	<u>1,531,659</u>
EXPENDITURES					
General government	1,915,252	2,077,765	2,013,197	(162,513)	64,568
Public safety	5,447,387	5,691,421	5,613,384	(244,034)	78,037
Public works	1,890,459	1,867,593	2,009,638	22,866	(142,045)
Culture & recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>9,253,098</u>	<u>9,636,779</u>	<u>9,636,219</u>	<u>(383,681)</u>	<u>560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>101,071</u>	<u>682,925</u>	<u>2,215,144</u>	<u>129,562</u>	<u>1,532,219</u>
OTHER FINANCING SOURCES (USES)					
Sale of property	-	-	22,435	-	22,435
Operating transfers in	8,600	8,600	8,600	-	-
Operating transfers out	(1,648,479)	(1,930,054)	(1,932,559)	(281,575)	(2,505)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,639,879)</u>	<u>(1,921,454)</u>	<u>(1,901,524)</u>	<u>(281,575)</u>	<u>19,930</u>
NET CHANGE IN FUND BALANCE	(1,538,808)	(1,238,529)	313,620	(152,013)	1,552,149
FUND BALANCE, OCTOBER 1, 2020	<u>9,790,728</u>	<u>9,790,728</u>	<u>9,790,728</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER, 2021	<u>\$ 8,251,920</u>	<u>\$ 8,552,199</u>	<u>\$ 10,104,348</u>	<u>\$ (152,013)</u>	<u>\$ 1,552,149</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, 2021

SCHEDULE 1b

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	120,230	120,230	116,523	-	(3,707)
Miscellaneous	3,500	3,500	-	-	(3,500)
TOTAL REVENUES	<u>123,730</u>	<u>123,730</u>	<u>116,523</u>	<u>-</u>	<u>(7,207)</u>
EXPENDITURES					
Culture & recreation	131,173	111,833	123,352	19,340	(11,519)
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>131,173</u>	<u>111,833</u>	<u>123,352</u>	<u>19,340</u>	<u>(11,519)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,443)</u>	<u>11,897</u>	<u>(6,829)</u>	<u>19,340</u>	<u>(18,726)</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	(7,443)	11,897	(6,829)	19,340	(18,726)
FUND BALANCE, OCTOBER 1, 2020	<u>(761,623)</u>	<u>(761,623)</u>	<u>(761,623)</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER, 2021	<u>\$ (769,066)</u>	<u>\$ (749,726)</u>	<u>\$ (768,452)</u>	<u>\$ 19,340</u>	<u>\$ (18,726)</u>

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

CITY OF PICAYUNE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SCHEDULE 1c

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		to Final	to Actual
REVENUES					
Intergovernmental revenues	\$ 471,275	\$ 471,275	\$ 579,717	\$ -	\$ 108,442
Miscellaneous	<u>5,300</u>	<u>128,202</u>	<u>102,487</u>	<u>122,902</u>	<u>(25,715)</u>
TOTAL REVENUES	<u>476,575</u>	<u>599,477</u>	<u>682,204</u>	<u>122,902</u>	<u>82,727</u>
EXPENDITURES					
Health and welfare	<u>398,816</u>	<u>426,883</u>	<u>490,254</u>	<u>(28,067)</u>	<u>(63,371)</u>
TOTAL EXPENDITURES	<u>398,816</u>	<u>426,883</u>	<u>490,254</u>	<u>(28,067)</u>	<u>(63,371)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>77,759</u>	<u>172,594</u>	<u>191,950</u>	<u>94,835</u>	<u>19,356</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	141,500	141,500	141,500	-
Operating transfers out	<u>(219,238)</u>	<u>(219,238)</u>	<u>(219,238)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(219,238)</u>	<u>(77,738)</u>	<u>(77,738)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(141,479)	94,856	114,212	94,835	19,356
FUND BALANCE, OCTOBER 1, 2020	<u>1,647,383</u>	<u>1,647,383</u>	<u>1,647,383</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER, 2021	<u>\$ 1,505,904</u>	<u>\$ 1,742,239</u>	<u>\$ 1,761,595</u>	<u>\$ 94,835</u>	<u>\$ 19,356</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.090007%	0.093574%	0.093201%	0.089115%	0.087719%	0.086799%
City's proportionate share of the net pension liability (asset)	\$ 13,303,428	\$ 18,114,839	\$ 16,395,895	\$ 14,822,472	\$ 14,581,875	\$ 15,504,469
City's covered-employee payroll	\$ 5,939,497	\$ 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	223.98%	290.51%	269.08%	256.27%	261.53%	266.10%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,033,472	\$ 1,084,991	\$ 996,166	\$ 910,977	\$ 878,145	\$ 917,684
Contributions in relation to the contractually required contribution	<u>\$ 1,033,472</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,939,497	\$ 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%	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, 2021

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, 2021

- 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%.

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.

CITY OF PICAYUNE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2021

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

Julie M. Uher, CPA
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W. David Dill, CPA (Retired)

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, 2021, 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 September 2, 2022.

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

September 2, 2022



Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

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, 2021, and have issued our report thereon dated September 2, 2022. 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

September 2, 2022