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**CITY OF LUCEDALE**

**Audited Financial Statements**  
**And**  
**Special Reports**

**September 30, 2016**

**CITY OF LUCEDALE**

**Table of Contents**

INDEPENDENT AUDITOR’S REPORT ..... 1-2

BASIC FINANCIAL STATEMENTS ..... 3

    Government-wide Financial Statements

        Statement of Net Position ..... 4

        Statement of Activities ..... 5

    Fund Financial Statements

        Governmental Funds:

            Balance Sheet ..... 6

            Statement of Revenues, Expenditures and Changes in

                Fund Balances ..... 7

            Reconciliation of the Statement of Revenues, Expenditures and

                Changes in Fund Balances of Governmental Funds to the

                Statement of Activities ..... 8

        Proprietary Fund:

            Statement of Net Position ..... 9

            Statement of Revenues, Expenses and Changes in Net Position ..... 10

            Statement of Cash Flows ..... 11

    Notes to Financial Statements ..... 12-25

REQUIRED SUPPLEMENTARY INFORMATION ..... 26

    Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)

        General Fund ..... 27

    Schedule of the City’s Proportionate Share of the Net Pension Liability – PERS ..... 28

    Schedule of the City’s Contributions – PERS ..... 29

    Notes to the Required Supplementary Information ..... 30-31

SCHEDULE OF SURETY BONDS ..... 32-33

SPECIAL REPORTS ..... 34

    Independent Auditor’s Report on Internal Control Over Financial

        Reporting and on Compliance and Other Matters Based on an

        Audit of the Basic Financial Statements Performed in Accordance

        With *Government Auditing Standards* ..... 35-36

    Independent Auditor’s Report on Compliance With State Laws

        and Regulations ..... 37

SCHEDULE OF FINDINGS AND RESPONSES ..... 38-39

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and  
Members of the Board of Aldermen  
City of Lucedale, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Lucedale, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lucedale as of September 30, 2016, and the respective changes in financial position and cash flows 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 Budgetary Comparison Schedule, the Schedule of the City's Contributions - PERS, the Schedule of the City's Proportionate Share of the Net Pension Liability - PERS, and corresponding notes 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 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.

### *Omission of Required Supplementary Information*

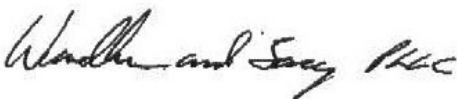
The City of Lucedale, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

The Schedule of Surety Bonds for the City of Lucedale 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 Requirements Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the City of Lucedale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lucedale's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
March 17, 2017

**CITY OF LUCEDALE**

**BASIC FINANCIAL STATEMENTS**

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements

Governmental funds

Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to user's understanding of the basic financial statements

**CITY OF LUCEDALE**  
**Statement of Net Position**  
**September 30, 2016**

**Exhibit 1**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 3,864,829	728,565	4,593,394
Property tax receivable	317,475		317,475
Fines receivable, net	141,147		141,147
Accounts receivable, net	54,996	124,624	179,620
Internal balance	176	(176)	
Grants receivable	28,081		28,081
Sales tax receivable	353,818		353,818
Total Current Assets	<u>4,760,522</u>	<u>853,013</u>	<u>5,613,535</u>
Noncurrent Assets:			
Restricted cash	27,128	237,939	265,067
Capital assets, net	4,672,834	3,491,945	8,164,779
Total Noncurrent Assets	<u>4,699,962</u>	<u>3,729,884</u>	<u>8,429,846</u>
 Total Assets	 <u>9,460,484</u>	 <u>4,582,897</u>	 <u>14,043,381</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	<u>735,550</u>	<u>69,866</u>	<u>805,416</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Claims payable	141,998	22,772	164,770
Current portion of long-term debt		47,286	47,286
Total Current Liabilities	<u>141,998</u>	<u>70,058</u>	<u>212,056</u>
Noncurrent Liabilities:			
Net pension liability	3,672,767	352,547	4,025,314
Long-term liabilities		556,592	556,592
Customer meter deposits payable		17,700	17,700
Total Noncurrent Liabilities	<u>3,672,767</u>	<u>926,839</u>	<u>4,599,606</u>
 Total Liabilities	 <u>3,814,765</u>	 <u>996,897</u>	 <u>4,811,662</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future periods	<u>311,279</u>	<u>0</u>	<u>311,279</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,672,834	2,888,067	7,560,901
Restricted for:			
Public safety	30,995		30,995
Unemployment compensation	8,458		8,458
Unrestricted	<u>1,357,703</u>	<u>767,799</u>	<u>2,125,502</u>
 Total Net Position	 <u>\$ 6,069,990</u>	 <u>3,655,866</u>	 <u>9,725,856</u>

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

**CITY OF LUCEDALE**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

**Exhibit 2**

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Fees, Fines &amp; Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Functions/Programs</b>							
<b>Governmental Activities:</b>							
General government	\$ 1,114,192				(1,114,192)		(1,114,192)
Public safety	1,422,849	122,490	18,747	48,189	(1,233,423)		(1,233,423)
Public works	904,418	183,199			(721,219)		(721,219)
Health and welfare		31,222			31,222		31,222
Culture and recreation	270,578				(270,578)		(270,578)
Urban and economic development	60,337				(60,337)		(60,337)
Total Governmental Activities	<u>3,772,374</u>	<u>336,911</u>	<u>18,747</u>	<u>48,189</u>	<u>(3,368,527)</u>	<u>0</u>	<u>(3,368,527)</u>
<b>Business-type Activities:</b>							
Water/Sewer	818,510	765,151				(53,359)	(53,359)
Total Business-type Activities	<u>818,510</u>	<u>765,151</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(53,359)</u>	<u>(53,359)</u>
Total	<u>\$ 4,590,884</u>	<u>1,102,062</u>	<u>18,747</u>	<u>48,189</u>	<u>(3,368,527)</u>	<u>(53,359)</u>	<u>(3,421,886)</u>
<b>General Revenues</b>							
<b>Taxes:</b>							
Property taxes					\$ 418,524		418,524
Road & bridge privilege taxes					187,871		187,871
Sales tax					2,187,909		2,187,909
Franchise taxes					177,071		177,071
Grants and contributions not restricted to specific programs					20,438		20,438
Unrestricted investment income					15,375	3,848	19,223
Miscellaneous					69,435		69,435
Total General Revenues					<u>3,076,623</u>	<u>3,848</u>	<u>3,080,471</u>
Change in net position					(291,904)	(49,511)	(341,415)
Net Position - Beginning					<u>6,361,894</u>	<u>3,705,377</u>	<u>10,067,271</u>
Net Position - Ending					<u>\$ 6,069,990</u>	<u>3,655,866</u>	<u>9,725,856</u>

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



**CITY OF LUCEDALE**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2016**

**Exhibit 3**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 3,877,625	14,332	3,891,957
Property tax receivable	317,475		317,475
Fines receivable	141,147		141,147
Sales tax receivable	353,818		353,818
Grants receivable		28,081	28,081
Due from other funds	30,175		30,175
Other receivables	54,996		54,996
	<u>54,996</u>	<u>28,081</u>	<u>54,996</u>
Total Assets	\$ <u>4,775,236</u>	<u>42,413</u>	<u>4,817,649</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RECOURCES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 141,998		141,998
Due to other funds		29,999	29,999
Total Liabilities	<u>141,998</u>	<u>29,999</u>	<u>171,997</u>
Deferred Inflows of Resources:			
Property tax for future periods	311,279		311,279
Unavailable revenue - fines	141,147		141,147
Total Deferred Inflows of Resources	<u>452,426</u>	<u>0</u>	<u>452,426</u>
Fund Balances:			
Unassigned	4,153,684	(1,918)	4,151,766
Restricted: Public Safety	27,128	3,867	30,995
Restricted: Culture and Recreation		2,007	2,007
Restricted: Unemployment		8,458	8,458
Total Fund Balances	<u>4,180,812</u>	<u>12,414</u>	<u>4,193,226</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>4,775,236</u>	<u>42,413</u>	
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 1):			
Capital assets net of depreciation as of Oct. 1, 2015	\$	4,756,955	
Plus capital outlay expenditures made during the year		191,321	
Less depreciation expense recorded during the year		<u>(275,442)</u>	
			4,672,834
Deferred outflows of resources - deferred outflows - pension			735,550
Long-term debt are not financial resources and, therefore, are not reported in the funds:			
Net pension liability			(3,672,767)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Fines receivable			<u>141,147</u>
Net Position of Governmental Activities			\$ <u>6,069,990</u>

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

**CITY OF LUCEDALE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2016**

**Exhibit 4**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 418,524		418,524
Licenses and permits	208,293		208,293
Fines and forfeitures	144,974	191	145,165
Intergovernmental revenues	2,414,965	48,189	2,463,154
Charges for services	183,199		183,199
Interest income	15,275	100	15,375
Miscellaneous	69,435		69,435
Total Revenues	<u>3,454,665</u>	<u>48,480</u>	<u>3,503,145</u>
<b>EXPENDITURES</b>			
Current:			
General government	615,213		615,213
Public safety	1,418,023	69,938	1,487,961
Public works	937,263		937,263
Culture and recreation	256,626	593	257,219
Urban and economic development	60,337		60,337
Total Expenditures	<u>3,287,462</u>	<u>70,531</u>	<u>3,357,993</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>167,203</u>	<u>(22,051)</u>	<u>145,152</u>
Net Change in Fund Balances	167,203	(22,051)	145,152
Fund Balances - Beginning	<u>4,013,609</u>	<u>34,465</u>	<u>4,048,074</u>
Fund Balances - Ending	<u>\$ 4,180,812</u>	<u>12,414</u>	<u>4,193,226</u>

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

**CITY OF LUCEDALE  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2016**

**Exhibit 5**

	<u>Amount</u>
Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	\$ 145,152
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation (\$275,442) exceeded capital outlays (\$191,321) in the current period.	(84,121)
Governmental funds do not report expenditures not recognized for transactions that are normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following item:	
Pension expense	(375,610)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Fine revenue	<u>22,675</u>
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u><u>(291,904)</u></u>

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

**CITY OF LUCEDALE**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2016**

**Exhibit 6**

	<b>Business-type Activity</b>
	<b><u>Water/Sewer</u></b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 728,565
Accounts receivable, net	124,624
Total Current Assets	<u>853,189</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	237,939
Capital assets, net	3,491,945
Total Noncurrent Assets	<u>3,729,884</u>
 Total Assets	 <u>4,583,073</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	<u>69,866</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Claims payable	22,772
Due to other funds	176
Current portion of long-term debt	47,286
Total Current Liabilities	<u>70,234</u>
Noncurrent Liabilities:	
Net pension liability	352,547
Long-term liabilities	556,592
Customer meter deposits payable	17,700
Total Noncurrent Liabilities	<u>926,839</u>
 Total Liabilities	 <u>997,073</u>
<b>NET POSITION</b>	
Invested in capital assets net of related debt	2,888,067
Unrestricted	767,799
 Total Net Position	 \$ <u><u>3,655,866</u></u>

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

**CITY OF LUCEDALE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended September 30, 2016**

**Exhibit 7**

	<b>Business-type Activity</b>
	<b><u>Water/Sewer</u></b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 765,151
Total Operating Revenues	<u>765,151</u>
<b>OPERATING EXPENSES</b>	
Personal services	269,314
Contractual services	276,184
Materials and supplies	86,136
Depreciation expense	174,073
Total Operating Expenses	<u>805,707</u>
Operating Income (Loss)	<u>(40,556)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grants	
Interest income	3,848
Interest expense	<u>(12,803)</u>
Total Nonoperating Revenue (Expenses)	<u>(8,955)</u>
Change in Net Position	(49,511)
Total Net Position - Beginning	<u>3,705,377</u>
Total Net Position - Ending	<u>\$ 3,655,866</u>

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

**CITY OF LUCEDALE**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2016**

**Exhibit 8**

	<b>Business-type Activity</b>
	<b><u>Water/Sewer</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 766,526
Payments to suppliers	(394,154)
Payments to employees	(231,301)
Net Cash Provided (Used) by Operating Activities	<u>141,071</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(62,995)
Principal paid on long-term debt	(46,763)
Interest expense paid	(12,803)
Net Cash Provided (Used) by Capital Financing Activities	<u>(122,561)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>3,848</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,358
Cash and Cash Equivalents - Beginning of Year	<u>944,146</u>
Cash and Cash Equivalents - End of Year	<u>\$ 966,504</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ <u>(40,556)</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	174,073
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,725)
(Increase) decrease in deferred outflows	(4,513)
Increase (decrease) in claims payable	(32,011)
Increase (decrease) in pension liability	42,526
Increase (decrease) in customer deposits	4,100
Increase (decrease) in internal balances	177
Total adjustments	<u>181,627</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 141,071</u>

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

## CITY OF LUCEDALE

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### (1) Summary of Significant Accounting Policies.

##### **Financial Reporting Entity.**

The City of Lucedale (City) is a code-charter municipality governed by an elected mayor and five aldermen. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

There are no component units required to be included in these financial statements.

##### **Government-wide and Fund Financial Statements.**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

## CITY OF LUCEDALE

### Notes to the Financial Statements For the Year Ended September 30, 2016

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer system.

The city's proprietary fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

#### **Assets, Liabilities and Net Position or Equity.**

##### *1. Deposits and Investments.*

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of 14 days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any city, municipality or school of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.



CITY OF LUCEDALE

Notes to the Financial Statements
For the Year Ended September 30, 2016

2. Receivables and Payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade receivables are shown net of an allowance for uncollectibles.

3. Restricted Assets.

Governmental activities - Cash that is restricted by law to certain activities is shown as restricted cash on the Statement of Net Position.

Business-type activities - Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

4. Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Table with 2 columns: Assets and Years. Rows include Land (N/A), Infrastructure (20-50), Buildings (40), Improvements other than buildings (20), and Machinery & equipment (5-10).

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

5. *Compensated Absences.*

There is no liability for unpaid accumulated sick leave or vacation since the City does not have a policy to pay any amounts when employees separate from service with the City.

6. *Long-term Obligations.*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, if any, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if any, are reported as deferred charges and amortized over the term of the related debt.

7. *Pensions.*

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, information about 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 or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. *Equity Classifications.*

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted Net Position - Consists of Net Position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other Net Position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

## CITY OF LUCEDALE

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Non-spendable** - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has no fund balance reported in this category.

**Restricted** - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The City has no fund balance reported in this category.

**Assigned** - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by management other than the highest decision making authority of the City. The City has no fund balance reported in this category.

**Unassigned** - Includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

#### Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### 9. *Deferred Outflows/Deferred Inflows of Resources.*

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has a deferred outflow which is presented in the Statement of Net position as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Government-wide Statement of Net Position:

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

#### Governmental Funds Balance Sheet:

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

## CITY OF LUCEDALE

### Notes to the Financial Statements For the Year Ended September 30, 2016

- Unavailable revenue - fines. This amount represents the portion of fines receivable that does not meet the *current financial resources* criteria, and accordingly, will not be available until a future reporting period.

#### 10. *Intergovernmental Revenues in Governmental Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the “available” criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### 11. *Estimates.*

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

### **Stewardship, Compliance and Accountability.**

#### Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

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

- a. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
- b. Prior to October 1, the budget is legally enacted through passage of an order.
- c. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
- d. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- e. Budgets for the various funds are adopted on a cash basis as required by state law. It is the City’s policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

#### Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

George County collects the City's property taxes.

**(2) Detailed Notes on All Funds.**

**A. Cash.**

At year-end, the City's carrying amount of deposits was \$4,858,461 and the bank balance was \$4,876,798. 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.

**Custodial Credit Risk - Deposits.** Custodial credit risk is 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 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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**B. Receivables.**

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Total
Receivables:			
Grants receivable	\$ 28,081		28,081
Sales tax	353,818		353,818
Property taxes	317,475		317,475
Accounts		202,186	202,186
Garbage charges	7,729		7,729
Returned checks	171		171
Franchise fees	47,096		47,096
Fines	1,514,622		1,514,622
Gross receivables	2,268,992	202,186	2,471,178
Less: allowance for uncollectibles	(1,373,475)	(77,562)	(1,451,037)
Net total receivables	\$ 895,517	124,624	1,020,141

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

**C. Capital Assets.**

Capital asset activity for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers and Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 352,419	25,000		377,419
Total capital assets, not being depreciated	<u>352,419</u>	<u>25,000</u>	<u>0</u>	<u>377,419</u>
Capital assets, being depreciated:				
Buildings	2,832,793			2,832,793
Improvements other than buildings	1,546,520	58,102		1,604,622
Streets	1,916,463			1,916,463
Bridges	9,920			9,920
Machinery and equipment	2,509,809	108,219		2,618,028
Total capital assets being depreciated	<u>8,815,505</u>	<u>166,321</u>	<u>0</u>	<u>8,981,826</u>
Less: Accumulated depreciation for:				
Buildings	(644,337)	(82,900)		(727,237)
Improvements other than buildings	(506,323)	(61,561)		(567,884)
Streets	(1,205,212)	(17,511)		(1,222,723)
Bridges	(9,920)			(9,920)
Machinery and equipment	(2,045,177)	(113,470)		(2,158,647)
Total accumulated depreciation	<u>(4,410,969)</u>	<u>(275,442)</u>	<u>0</u>	<u>(4,686,411)</u>
Total capital assets, being depreciated, net	<u>4,404,536</u>	<u>(109,121)</u>	<u>0</u>	<u>4,295,415</u>
Governmental activities capital assets, net	<u>\$ 4,756,955</u>	<u>(84,121)</u>	<u>0</u>	<u>4,672,834</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Water system	\$ 2,306,814	62,995		2,369,809
Sewer system	4,139,658			4,139,658
Total capital assets, being depreciated	<u>6,446,472</u>	<u>62,995</u>	<u>0</u>	<u>6,509,467</u>
Less: Accumulated depreciation	<u>(2,843,449)</u>	<u>(174,073)</u>		<u>(3,017,522)</u>
Business-type activities capital assets, net	<u>\$ 3,603,023</u>	<u>(111,078)</u>	<u>0</u>	<u>3,491,945</u>

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	12,535
Public safety		83,752
Public works		49,491
Culture and recreation		<u>129,664</u>
Total depreciation expense - governmental activities	\$	<u><u>275,442</u></u>
Business-type activities:		
Water and sewer	\$	<u>174,073</u>
Total depreciation expense - business-type activities	\$	<u><u>174,073</u></u>

**D. Interfund Transactions.**

The following schedule as of September 30, 2016, represents interfund receivables and payables:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund	\$ 29,999
General Fund	Business-type	<u>176</u>
Total		<u><u>\$ 30,175</u></u>

**E. Long-term Debt.**

Revenue Bonds

The City issued water and sewer revenue bonds in 2002 to provide funds for the construction of water and sewer infrastructure. These bonds will be repaid from revenues generated from operations of the water and sewer systems.

Loans Payable

The City has received a Capital Improvements Revolving loan (CAP) loan from the Mississippi Development Authority to finance a project for water/sewer improvements.

Revenue bonds and loans payable currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type activities:		
2002 Water System Rural Development Bond	4.5%	\$ 17,221
State of Mississippi CAP Loan	2%	<u>586,657</u>
Total		<u><u>\$ 603,878</u></u>

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

Annual debt service requirements to maturity for revenue bonds and loans are as follows:

<u>Year Ending September 30:</u>	Business-type Activities	
	Principal	Interest
Revenue Bonds		
2016	\$ 17,221	
Total	\$ 17,221	0
 CAP Loan		
2017	\$ 30,065	11,357
2018	30,672	10,751
2019	31,291	10,131
2020	31,923	9,500
2021	32,567	8,855
Thereafter	430,139	51,085
	\$ 586,657	101,679

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
CAP Loan	\$ 616,127		(29,470)	586,657	30,065
Bonds payable:					
Revenue bonds	34,514		(17,293)	17,221	17,221
Business-type activity long-term liabilities	\$ 650,641	0	(46,763)	603,878	47,286



**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

**(3) Other Information.**

**A. Contingent Liabilities.**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 ultimate outcome or liability, if any, of the City with respect to the various proceedings; however, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

**B. Defined Benefit Pension Plan.**

**General Information about the Pension Plan.**

Defined Benefit Pension Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, 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.

Plan Description. The City of Lucedale contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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, local schools, cities, counties and 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 PER's 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 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years of 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.

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary and the City of Lucedale is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature.

The City of Lucedale's contributions to PERS for the years ending September 30, 2016, 2015 and 2014 were \$227,715, \$224,860, and \$212,151, respectively, equal to 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, 2016, the City reported a liability of \$4,025,314 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the entity's proportion was 0.023375 percent, which was an increase of 0.002742 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$595,987.

At September 30, 2016, the City reported as components of pension expense and deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 96,314
Net difference between projected and actual earnings on pension plan investments	463,061
Changes of assumptions	156,723
Changes in proportion and differences between entity contributions and proportionate share of contributions	36,517
Entity contributions subsequent to the measurement date	<u>52,801</u>
Total	<u>\$ 805,416</u>

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

<u>Year Ended September, 30:</u>	<u>Outflows</u>
2017	\$ 299,775
2018	248,497
2019	124,821
2020	<u>79,522</u>
 Total	 \$ <u>752,615</u>

\$52,801 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016.

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the pension July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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 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>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	<u>1.00</u>	(0.50)
 Total	 <u>100.00 %</u>	

**CITY OF LUCEDALE**

**Notes to the Financial Statements  
For the Year Ended September 30, 2016**

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

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

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
GOVERNMENTAL ACTIVITIES			
City's proportionate share of the net pension liability	\$ 5,161,355	\$ 4,025,314	\$ 3,082,768

**C. Risk Management.**

The City classifies risks of loss in the following categories: torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss resulting from any of the above is mitigated through the purchase of commercial insurance.

**D. Subsequent Events.**

The City of Lucedale has evaluated events and transactions for potential recognition or disclosure through March 17, 2017, which is the date the financial statements were available to be issued.

As of March 17, 2017, the City of Lucedale had not issued any new debt.

**E. Effect of Deferred Amounts on Net Position.**

The unrestricted net position amount of \$2,125,902 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$805,416 balance of deferred outflow of resources at September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next three years.

**CITY OF LUCEDALE**

**REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

City's Proportionate Share of the Net Pension Liability

City's Contributions

Notes to the Required Supplementary Information

**CITY OF LUCEDALE**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 371,000	418,592	418,592	
Licenses and permits	224,300	208,293	208,293	
Fines and forfeitures	125,000	144,974	144,974	
Intergovernmental revenues	2,482,800	2,407,936	2,407,936	
Charges for services	187,000	183,199	183,199	
Interest earned	13,150	15,275	15,275	
Miscellaneous revenues	41,500	69,437	69,437	
Total Revenues	<u>3,444,750</u>	<u>3,447,706</u>	<u>3,447,706</u>	<u>0</u>
<b>EXPENDITURES</b>				
General government	692,781	614,981	614,981	
Public safety	1,732,616	1,417,619	1,417,619	
Public works	1,124,252	936,794	936,794	
Health and welfare	3,200			
Culture and recreation	314,570	256,595	256,595	
Urban and economic development	85,000	60,337	60,337	
Total Expenditures	<u>3,952,419</u>	<u>3,286,326</u>	<u>3,286,326</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(507,669)</u>	<u>161,380</u>	<u>161,380</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(14,988)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>(14,988)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(522,657)	161,380	161,380	0
Fund Balances - Beginning	<u>522,657</u>	<u>3,716,245</u>	<u>3,716,245</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,877,625</u>	<u>3,877,625</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**CITY OF LUCEDALE**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 4,025,314	3,613,314	2,637,017
City's proportionate share of the net pension liability (asset)	0.022535 %	0.023375 %	0.021725 %
City's covered-employee payroll	\$ 1,441,606	1,460,324	1,392,622
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.2242818 %	247.4323506 %	189.3562647 %
Plan fiduciary net position as a percentage of the total pension liability	57.467727 %	61.703983 %	67.207687 %

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

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

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

**CITY OF LUCEDALE**  
**Schedule of the City's Contributions**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 227,715	224,860
Contributions in relation to the contractually required contribution	<u>227,715</u>	<u>224,860</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
City's covered-employee payroll	\$ 1,445,810	1,427,526
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

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

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



**CITY OF LUCEDALE**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2016**

**Note 1. Budget.**

**A. Budgetary Information.**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation.**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

**C. Budget/GAAP Reconciliation.**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Type <hr style="border-top: 1px solid black;"/> General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 161,380
Increase (decrease):	
Net adjustments for revenue accruals	6,959
Net adjustments for expenditure accruals	<hr style="border-top: 1px solid black;"/> (1,136)
Net Change in Fund Balance GAAP Basis	<hr style="border-top: 3px double black;"/> \$ 167,203

**CITY OF LUCEDALE**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2016**

**Note 2. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.**

**Changes in Benefit Provisions.**

None.

**Changes of Assumptions.**

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**CITY OF LUCEDALE**

**SCHEDULE OF SURETY BONDS**

**CITY OF LUCEDALE**  
**Surety Bonds for City Officials - UNAUDITED**  
**September 30, 2016**

<u>Name</u>	<u>Covered Position</u>	<u>Company</u>	<u>Amount</u>
Douglas Lee	Mayor	Travelers Casualty & Surety	\$ 50,000
Payton Dudley	Alderman	Travelers Casualty & Surety	50,000
Carrie Moulds	Alderman	Travelers Casualty & Surety	50,000
Jason Martin	Alderman	Travelers Casualty & Surety	50,000
Louis Valentine	Alderman	Travelers Casualty & Surety	50,000
Lloyd Welford	Alderman	Travelers Casualty & Surety	50,000
Kathy Johnson	City Clerk	Travelers Casualty & Surety	50,000
Kathy Johnson	City Clerk	FCCI Insurance	160,000
Kellum Fairley	Police Chief	Old Republic Surety	50,000
Various	Dispatchers, each	Old Republic Surety	10,000
Lisa Linthicum	Deputy Court Clerk	Old Republic Surety	50,000
Miranda Weaver	Bus Driver	Old Republic Surety	50,000
Doris Cook	Deputy Court Clerk	Old Republic Surety	50,000
Tammy Oldenquist	Deputy City Clerk	Old Republic Surety	50,000
Brandy Havard	Inventory Clerk	Old Republic Surety	50,000
Lorie Breland	Water Clerk	Old Republic Surety	50,000
Miranda Dickey	Purchase Clerk	Old Republic Surety	25,000

**CITY OF LUCEDALE**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Honorable Mayor and  
Members of the Board of Aldermen  
City of Lucedale, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Lucedale, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City of Lucedale, Mississippi's basic financial statements and have issued our report thereon dated March 17, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Lucedale, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

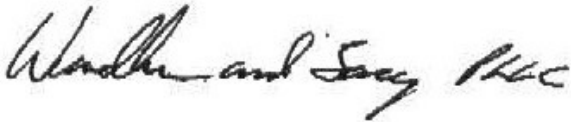
Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Lucedale, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC  
March 17, 2017

# Windham and Lacey, PLLC

*Certified Public Accountants*

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(601)939-8676

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

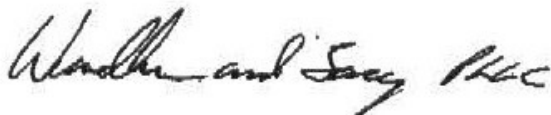
Honorable Mayor and  
Members of the Board of Aldermen  
City of Lucedale, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Lucedale, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated March 17, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the basic financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
March 17, 2017



**CITY OF LUCEDALE**

**SCHEDULE OF FINDINGS AND RESPONSES**

**CITY OF LUCEDALE**

**Schedule of Findings and Responses  
For the Year Ended September 30, 2016**

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

*Financial Statements:*

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements:        | Unmodified    |
| 2. | Internal control over financial reporting:   |               |
| a. | Material weaknesses identified?  | No            |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements?                                    | No            |

**Section 2: Financial Statement Findings**

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