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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

September 4, 2015

Mr. Stacey E. Pickering
State of Mississippi
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Mr. Pickering:

Enclosed is a copy of the City of Fayette, Mississippi's audited financial for the year ended September 30, 2014.

Feel free to contact us should you have any additional questions or comments.

Sincerely,

David Ewing, Jr., CPA
Partner

mfd

Enclosures

COPY: Ms. Hattie Davis, City Clerk

308 HIGHLAND PARK COVE • RIDGELAND, MS 39157 • (601) 353-5423 • FAX (601) 353-5426

CITY OF FAYETTE, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CITY OF FAYETTE, MISSISSIPPI
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September 30, 2014

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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Rogers King
and Honorable Members of the Board of Alderman
City of Fayette, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi, as of and for the year ended September 30, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

308 HIGHLAND PARK COVE • RIDGELAND, MS 39157 • (601) 353-5423 • FAX (601) 353-5426

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 an opinion on the financial statements that collectively comprise the City of Fayette, Mississippi's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole

The introductory section 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015, on our consideration of the City of Fayette, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fayette, Mississippi's internal control over financial reporting and compliance.

Bank, Finley, White & Co.

Ridgeland, Mississippi
August 20, 2015

CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2014

INTRODUCTION

The discussion and analysis of the City of Fayette, Mississippi's annual financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

FINANCIAL HIGHLIGHTS

The assets of the City of Fayette, Mississippi exceeded its liabilities at the close of the most recent fiscal year by $447,621 (*net position)*. Of this amount, $37,783 (*unrestricted net assets*) a deficit, and is not available to be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by $116,419. This decrease is due primarily to reduction in revenues and an increase in spending.

As of close of the current fiscal year, the City's governmental funds reported combined ending net position of $946,968, a decrease of $127,481 in comparison with the prior year. Approximately $119,646 or 12.63% of this total amount is *available for spending* at the City's discretion (*unrestricted fund balance)*.

At the end of the current fiscal year, unassigned fund balance for the general fund was $124,518, or 15.61% of total general fund expenditures.

The City's total debt had a net decrease by $97,929 or 9.79% during the current fiscal year. The key factor in this decrease was the retirement of debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The City report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** - Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- **Business - Type Activities** - Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- **Governmental Funds** - These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

NET POSITIONS

A condensed version of the government-wide Statement of Net Positions is presented as follows:

	Governmental Activities		Business Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Assets:						
Current and Other Assets	$ 277,785	$ 353,093	145,605	153,610	$ 423,390	$ 506,703
Capital Assets	795,156	817,972	435,169	544,169	1,230,325	1,362,141
Total Assets	$ 1,072,941	$ 1,171,065	580,774	697,779	$ 1,653,715	$ 1,868,844
Liabilities:						
Current and Other Liabilities	$ 121,102	$ 91,746	166,497	195,635	$ 287,599	$ 287,381
Long-term Liabilities	4,870	4,870	913,624	1,011,553	918,494	1,016,423
Total Liabilities	$ 125,972	$ 96,616	1,080,121	1,207,188	$ 1,206,093	$ 1,303,804
Net Positions:						
Invested in Capital Assets, Net of related debt	$ 795,156	$ 817,972	(378,522)	(371,949)	$ 416,634	$ 446,023
Restricted	32,166	51,261	36,604	43,754	68,770	95,015
Unrestricted	119,646	205,216	(157,429)	(182,214)	(37,783)	23,002
Total Net Positions	$ 946,968	$ 1,074,449	(499,347)	(510,409)	$ 447,621	$ 564,040

As the presentation appearing above demonstrates, the largest portion of the City's net position of $416,634 or 93.08% are invested in capital assets. Net positions invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2014 less any debt used to acquire assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net positions 15.36% represent resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net positions (8.44)% is a deficit and is not available to be used to meet the City's ongoing obligations to citizens and creditors.

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

- Decrease in total current assets in the amount of $83,313.
- Decrease in net capital assets in the amount of $131,816.
- Increase in current liabilities in the amount of $218.
- Decrease in long-term liabilities in the amount of $97,929.

CHANGES IN NET POSITIONS

A condensed version of the government-wide Statement of Changes in Net Positions is presented as follows:

	Governmental Activities		Business Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenue:						
Charges for services	$ 48,713	$ 40,711	478,267	591,137	$ 526,980	$ 631,848
Operating grants and contributions	14,115	5,319	-	-	14,115	5,319
Capital grants and contributions	-	-	-	-	-	-
General Revenue:						
Property taxes	324,620	307,643	-	-	324,620	307,643
Sales taxes	214,670	204,977	-	-	214,670	204,977
Franchise taxes	30,266	52,986	44,535	-	74,801	52,986
Charges for services	16,500	19,500	-	-	16,500	19,500
Licenses and permits	11,584	7,762	-	-	11,584	7,762
Fines and forfeits	41,845	44,808	-	-	41,845	44,808
Other	35,987	52,854	24,636	18,033	60,623	70,887
Total Revenue	738,300	736,560	547,438	609,170	1,285,738	1,345,730
Program Expenses:						
General Government						
Finance & Administrative	418,953	335,686	-	-	418,953	335,686
Public safety	376,610	346,127	-	-	376,610	346,127
Parks and recreation	7,495	35,700	-	-	7,495	35,700
Sanitation	45,408	41,820	-	-	45,408	41,820
Public works	17,315	4,467	-	-	17,315	4,467
Water/Sewer	-	-	537,376	656,389	537,376	656,389
Total Expenses	865,781	763,800	537,376	656,389	1,403,157	1,420,189
Increase (decrease)in Net Assets						
Before Transfers and Special Items	(127,481)	(27,240)	10,062	(47,219)	(117,419)	(74,459)
Transfers and Special Items	-	-	-	-	-	-
Change in Net Positions	(127,481)	(27,240)	10,062	(47,219)	(117,419)	(74,459)
Net Positions Beginning	1,074,449	1,101,689	(509,409)	(462,190)	565,040	639,499
Net Positions Ending	$ 946,968	$ 1,074,449	(499,347)	(509,409)	$ 447,621	$ 565,040

The following are significant current year transactions that have had an impact on the Statement of Activities:

Governmental activities. Governmental activities decreased the City's net positions by $127,481, accounting for 11.86% of the decrease in total growth reduction in the City's net positions. Key elements of this increase are as follows:

- General governmental spending increased by $83,267 or 24.81% during the year.
- Public safety spending increased by $30,483 or 8.81% during the year.

Business-type activities. Business-type activities decreased the City's net positions by $10,062, accounting for 1.98% of the decrease in the City's net positions. Key elements of this decrease are as follows:

- Charges for services for the business-type activities decreased by $112,870 or 19.09% during the year primarily due a decrease in the number of customers and adjustment for charges.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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, unreserve fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending net position of $946,968, an decrease of $127,481 in comparison to the prior year. In addition, the City's general fund, which is available for spending at the City's discretion, reported a fund balance of $136,440.

Proprietary Funds-are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for the water and sewer, solid waste and electric funds. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds-are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as part of the basic financial statements. Significant revisions to the General Fund's budget during the fiscal year are as follows:

- Actual property tax revenue collected during the fiscal year exceeded budget amounts due primarily to an increase in tax collections.
- Actual fines and report fees revenue reported for the fiscal year exceeded budgeted amounts due to increase in the number of cases completed during the year.
- Actual expenditures for the general fund were less than the budgeted amounts primarily due to a reduction of expenditures in the general government, and fire protection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital asset - As of September 30, 2014, the City's total capital assets was $6,325,320. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. The City did not acquire any capital assets during the year.

Total accumulated depreciation as of September 30, 2014 was $5,094,994, including $131,815, of depreciation expense for the year. The balance in total net capital assets was $1,230,326 at year end.

Debt Administration - As of September 30, 2014, the City had $916,170 in long term debt outstanding. This includes revenue bonds, bank notes, obligations under capital leases and compensated absences payable. Of this debt, $100,043 is due within one year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Fayette at P. O. Box 637, Fayette, Mississippi 39069.

CITY OF FAYETTE, MISSISSIPPI
Statement of Net Positions
For the Year Ended September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 56,796	-	$ 56,796
Accounts receivable, net	23,642	98,373	122,015
Other receivables	66,685	-	66,685
Intergovernmental receivables	17,730	10,613	28,343
Due from other funds	112,932	15	112,947
Restricted Assets:			
Cash and cash equivalents	-	36,604	36,604
Capital Assets:			
Land	-	6,120	6,120
Buildings	-	27,500	27,500
Improvements other than buildings	185,162	401,549	586,711
Automotive and equipment	8,582	-	8,582
Construction in progress	601,412	-	601,412
TOTAL ASSETS	$ 1,072,941	580,774	$ 1,653,715
LIABILITIES			
Accounts payable, general	$ 106,153	29,054	$ 135,207
Payroll taxes payable	5,206	-	5,206
Accrued interest payable	-	2,219	2,219
Customer's deposits	-	31,475	31,475
Due to other funds	9,743	103,749	113,492
Noncurrent liabilities:			
Due within one year	2,435	97,608	100,043
Due in more than one year	2,435	816,016	818,451
Total Liabilities	125,972	1,080,121	1,206,093
NET POSITIONS:			
Investment in capital assets, net of related debt	795,156	(378,522)	416,634
Restricted	32,166	36,604	68,770
Unrestricted	119,646	(157,429)	(37,783)
Total Net Positions	946,968	(499,347)	447,621
TOTAL LIABILITIES AND NET POSITIONS	$ 1,072,940	580,774	$ 1,653,714

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2014

	Program Revenues				Net (Expenses) Revenues Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
Administration	$ 394,953	-	5,319	-	(389,634)	-	$ (389,634)
Judicial	24,000	-	-	-	(24,000)	-	(24,000)
Public safety	376,610	-	8,796	-	(367,814)	-	(367,814)
Public works	17,315	-	-	-	(17,315)	-	(17,315)
Parks and recreation	7,495	-	-	-	(7,495)	-	(7,495)
Sanitation	45,408	48,713	-	-	3,305	-	3,305
Total governmental activities	865,781	48,713	14,115	-	(802,953)	-	(802,953)
Business-type activities:							
Water/Sewer	498,910	478,267	-	-	-	(20,643)	(20,643)
Interest on long-term debt	38,466	-	-	-	-	(38,466)	(38,466)
Total Business-type activities	537,376	478,267	-	-	-	(59,109)	(59,109)
Total Primary Government	$ 1,403,157	526,980	14,115	-	(802,953)	(59,109)	$ (862,062)
General Revenues:							
Property taxes					$ 324,620	-	$ 324,620
Sales taxes					214,670	-	214,670
Franchise taxes					30,266	44,535	74,801
Charges for services					16,500	-	16,500
Fines and report fees					41,845	-	41,845
License and permits					11,584	-	11,584
Miscellaneous					35,830	24,515	60,345
Unrestricted investment earnings					157	121	278
Total general revenues, special items, and transfers					675,472	69,171	744,643
Change in net positions					(127,481)	10,062	(117,419)
Net Positions - Beginning					1,074,449	(509,409)	565,040
Net Positions - Ending					$ 946,968	(499,347)	$ 447,621

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Balance Sheet
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 19,341	37,456	$ 56,797
Accounts receivable, net of allowances	22,559	1,083	23,642
Other receivables	66,685	-	66,685
Intergovernmental receivable	17,730	-	17,730
Due from other funds	108,371	4,561	112,932
TOTAL ASSETS	$ 234,686	43,100	$ 277,786
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable, general	$ 92,561	13,592	$ 106,153
Payroll taxes payable	5	5,200	5,205
Due to other funds	5,679	4,064	9,743
Total Liabilities	98,245	22,856	121,101
Fund Balance			
Restricted	-	32,166	32,166
Unassigned	136,440	(11,922)	124,518
Total Fund Equity	136,440	20,244	156,684
TOTAL LIABILITIES AND NET ASSETS	$ 234,685	43,100	$ 277,785

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Positions of Governmental Activities on
the Statement of Net Assets
For the Year Ended September 30, 2014

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

Total Fund Balances - Governmental Funds		$ 156,684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets	1,323,004	
Less: accumulated depreciation	527,848	
		795,156
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Long - term liabilities	(4,870)	
Other adjustments	(2)	
		(4,872)
Net positions of governmental activities		$ 946,968

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
General property taxes	$ 324,620	-	$ 324,620
Privilege licenses and permits	11,584	-	11,584
Intergovernmental revenues	219,990	8,796	228,786
Franchise taxes	54,766	-	54,766
Charges for services	-	48,714	48,714
Fines and report fees	41,845	-	41,845
Interest income	88	70	158
Rent income	16,500	-	16,500
Miscellaneous	11,332	-	11,332
Total Revenues	680,725	57,580	738,305
EXPENDITURES:			
General Government:			
Administration	391,080	-	391,080
Judicial	24,000	-	24,000
Public safety	364,219	1	364,220
Public works	18,259	-	18,259
Sanitation	-	45,409	45,409
TOTAL EXPENDITURES	797,558	45,410	842,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,833)	12,170	(104,663)
Other Financing Sources:			
Operating transfers in	-	2,391	2,391
Operating transfers out	(2,391)	-	(2,391)
Total Other Financing Sources	(2,391)	2,391	-
Net Change in Fund Balance	(119,224)	14,561	(104,663)
Fund Balance at Beginning of Year	255,664	5,683	261,347
Fund Balance at End of Year	$ 136,440	20,244	$ 156,684

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Net Positions Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2014

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

Net change in net position balances - total governmental funds	$	(104,663)
Depreciation is not an expenditure in governmental funds but is an expense of allocating the costs of capital assets over their useful lives in the statement of activities.		(22,815)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(3)
Change in net positions of governmental activities	$	(127,481)

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
General Fund
Statement of Revenues, Expenditures, and Changes in Net Positions - Budget and Actual
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	$ 404,541	404,541	324,620	$ (79,921)
Privilege licenses and permits	11,242	11,242	11,584	342
Intergovernmental revenues	220,000	220,000	219,990	(10)
Franchise taxes	52,493	52,493	54,766	2,273
Rent	69,252	69,252	16,500	(52,752)
Fines and report fees	187,253	187,253	9,759	(177,494)
Interest	-	-	88	88
Miscellaneous	9,759	9,759	11,332	1,573
TOTAL REVENUES	954,540	954,540	648,639	(305,901)
OPERATING DISBURSEMENTS:				
General Government				
Administration	452,769	452,769	391,080	61,689
Judicial	24,000	24,000	24,000	-
Public Safety				
Police and fire protection	548,123	548,123	364,219	183,904
Public Works				
Streets improvements	59,313	59,313	18,259	41,054
Total Expenditures	1,084,205	1,084,205	797,558	286,647
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,665)	(129,665)	(148,919)	(19,254)
Other Financing Sources:				
Operating transfers out	(27,225)	(27,225)	(2,391)	24,834
Total Other Financing Sources	(27,225)	(27,225)	(2,391)	24,834
Net Change in Fund Balance	(156,890)	(156,890)	(151,310)	5,580
Fund Balance at Beginning of Year	255,664	255,664	255,664	-
Fund Balance at End of Year	$ 98,774	98,774	104,354	$ 5,580

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Statement of Net Positions
Proprietary Fund
For the Year Ended September 30, 2014

	Business - Type Activities Water/Sewer Fund
Assets	
Cash and cash equivalents	$ -
Accounts receivable, net of allowances	98,373
Other receivables	10,613
Due from other funds	15
Total Current Assets	109,001
Restricted Assets:	
Cash and cash equivalents	36,604
Property, plant and Equipment, at Cost	
Land	6,120
Buildings	27,500
Water plant, distribution system and equipment	4,968,696
	5,002,316
Less: accumulated depreciation	(4,567,147)
	435,169
Total Assets	$ 580,774
Liabilities and Net Assets	
Accounts payable	$ 29,054
Due to other funds	103,749
Current portion of long term debt:	
Compensated absences	2,325
Total current liabilities	135,128
Current Liabilities Payable from restricted Assets:	
Customer deposits	31,475
Accrued interest payable	2,219
Current portion of revenue bonds payable	95,283
Total Current liabilities payable from restricted assets	128,977
Long-Term Debt (less amounts classified as current)	
Revenue bonds (net of unamortized discount /premium)	813,691
Compensated absences	2,325
Total long-term debt	816,016
Total Liabilities	1,080,121
Net Positions	
Investment in Capital Assets, net of related debt	(378,522)
Restricted for debt service	36,604
Unrestricted	(157,429)
Total Net Positions	(499,347)
Total Liabilities and Net Positions	$ 580,774

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Positions
Proprietary Funds
For the Year Ended September 30, 2014

	Business - Type Activities
Operating Revenues:	
Sales to customers	$ 478,267
Franchise taxes	44,535
Other revenue	19,509
Total Operating Revenues	542,311
Operating Expenses:	
Personnel services	248,130
Supplies	97,009
Other services and charges	44,771
Depreciation	109,000
Total Operating Expenses	498,910
Operating Income (Loss)	43,401
Nonoperating revenues	
Interest income	121
Other income	5,006
Interest and service charges on long-term debt	(38,466)
Total nonoperating revenues	(33,339)
Net Income Before Operating Transfers	10,062
Net Income (Loss)	10,062
Retained Earnings October 1	(509,409)
Retained Earnings/Fund Balance September 30	$ (499,347)

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2014

	Business-Type Activities
	Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	$ 478,267
Receipts from other revenue	64,044
Payments to employees	(248,130)
Payments to suppliers	(141,782)
Net cash provided by (used for) operating activities	152,399
(Increase) Decrease in:	
Accounts receivable	2,235
Accounts receivable, other	(10,613)
Increase (Decrease) in:	
Accounts payable	(29,891)
Customer's deposits	880
Accrued interest payable	(128)
NET CASH PROVIDED BY OPERATING ACTIVITIES	114,882
CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:	
NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Interest earned on account	121
Interest paid on retirement of long-term debt	(38,466)
Other income	5,009
Repayment of long-term debt	(97,929)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	(131,265)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	52,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 36,604
Supplemental cash flow information:	
Cash paid during the year:	
Interest Expense	$ 38,466

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF FAYETTE, MISSISSIPPI
Statement of Assets and Liabilities
Fiduciary Fund
For the Year Ended September 30, 2014

	Agency Funds
ASSETS	
Cash and investments	$ -
Due from other funds	5,679
Total Assets	$ 5,679
LIABILITIES	
Intergovernmental payables	$ 40,281
Due to other funds	5,134
Internal balances	(39,736)
Total Liabilities	$ 5,679

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fayette, Mississippi (the City) was incorporated under the provisions of Mississippi Law. The City is governed by its Mayor and a Board of Aldermen consisting of five members. Services provided to the citizens of Fayette include but are not limited to public safety (police and fire protection), streets, recreation, and utility services (water and sewer).

The City's accompanying policies conform to generally accepted accounting principals for governmental units. 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. Some of the City's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

The accompanying financial statements reflect only the primary government of the City of Fayette. The primary government includes only those funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the City.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the City only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

FUND FINANCIAL STATEMENTS

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

MAJOR GOVERNMENTAL FUNDS

General Fund - The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

MAJOR BUSINESS- TYPE FUNDS

Water System - The water system fund is used to account for the operation of the City's water system, which is supported by user charges.

Sewer System - The sewer system fund is used to account for the operation of the City's sewer system, which is supported by user charges and special taxes.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

Financial Statement Presentation	Basis of Accounting	Measurement Focus
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or if it is due under cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Cash and Cash Equivalents

The City's deposits excess funds in the financial institutions selected by the Mayor and governing board. State statue specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificate of deposits with maturities of 12 months or less. Cash and cash equivalents are valued at costs.

Investments

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

Investments are reported at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

INTERFUND TRANSACTIONS AND BALANCES

Interfund transactions and balances are the result of timing differences between the date expense/expenditures occur and the date payments are made.

Short-term (due within one year) interfund 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 not offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

INTERNAL ACTIVITY

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statement, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Restricted Assets - Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Capital Assets - Capital assets, which include property, equipment and infrastructure acquired after October 1, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land Improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary funds assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period.

Compensated Absences - the City does not accumulate unpaid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.

Use of Estimates - The preparation of financial statement 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.

Fund Balance Spending Policy - The City has not adopted a formal spending policy as it relates to the fund balance therefore, excess amounts are expended in the following manner in accordance with GASB 54 default level: committed, assigned and unassigned.

NOTE 2 - BUDGETARY CONTROL

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The City Clerk and Mayor prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submits the proposal to the Board of Aldermen. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is set.

A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH AND CASH EQUIVALENTS

The collateral for public entities, deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi 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.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds was $56,796 and $36,604, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $56,796 and Restricted Assets - $36,604. The Restricted Assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the City's programs.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, 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 Treasury manages the 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 district. As of *September 30, 2014*, none of the City's bank balance of $97,403 was exposed to custodial credit risk.

NOTE 4 - AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2014, the City levied and collected 30.00 mills of taxes for general corporate purposes of the City.

NOTE 5 - INTERFUND BALANCES

Individual fund interfund receivable and payable balances are presented as of September 30, 2014 as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 108,371	$ 5,679
Water/Sewer System Fund	15	103,749
Fiduciary Fund	5,679	5,134
Non Major Fund		
Sanitation Fund	4,561	1,111
Fire Fund	-	2,953
Total	$ 118,626	$ 118,626

Individual fund interfund transfers are presented as of September 30, 2014 as follows:

	Transfer In	Transfer Out
Major Funds:		
General Fund	$ -	$ 2,391
Non Major Fund:		
Sanitation Fund	2,391	-
Total	$ 2,391	$ 2,391

NOTE 6 - RECEIVABLES

Receivables at September 30, 2014 consisted of the following:

	General Fund	Non-Major Funds	Business-Type Activities	Total
Accounts Receivable				
Charges for services	$ -	$ -	$ 373,313	$ 373,313
Franchise taxes	4,354	-	-	4,354
Property taxes	18,205	-	-	18,205
Accounts receivable, other	66,685	1,083	-	67,768
Total accounts receivable	89,244	1,083	373,313	463,640
Due From Other Governments				
Sales Taxes	17,730	-	-	17,730
Total due from other governments	17,730	-	-	17,730
Less: allowance for uncollectibles	-	-	(274,939)	(274,939)
Receivables, net of allowance	$ 106,974	$ 1,083	$ 98,374	$ 206,431

NOTE 7 - CAPITAL ASSETS

A summary of general fixed asset transactions for the year ended September 30, 2014 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non Depreciable Capital Assets				
Construction in process	$ 601,412	-	-	$ 601,412
Total non depreciable capital assets	601,412	-	-	601,412
Depreciable Capital Assets				
Buildings and Improvements	273,591	-	-	273,591
Automotive and equipment	319,293	-	-	319,293
Machinery and Equipment	128,708	-	-	128,708
Total depreciable capital assets	721,592	-	-	721,592
Accumulated Depreciation	(505,032)	(22,815)	-	(527,847)
Net depreciable capital assets	216,560	(22,815)	-	193,745
Total Governmental Activities	$ 817,972	(22,815)	-	$ 795,157
Business-Type Activities:				
Non Depreciable Capital Assets				
Land and Right of Ways	$ 6,120	-	-	$ 6,120
Total nondepreciable capital assets	6,120	-	-	6,120
Depreciable Capital Assets				
Building	27,500	-	-	27,500
Water/Sewer system	4,623,214	-	-	4,623,214
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	211,283	-	-	211,283
Total depreciable capital assets	4,996,196	-	-	4,996,196
Accumulated Depreciation	(4,458,147)	(109,000)	-	(4,567,147)
Net depreciable capital assets	538,049	(109,000)	-	429,049
Total Business-Type Activities	$ 544,169	(109,000)	-	$ 435,169

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	Governmental Activities	**Business-Type Activities**	**Total**
Finance & Administrative	$ 3,873	-	$ 3,873
Fire Protection	3,140	-	3,140
Police Protection	8,308	-	8,308
Parks and Recreation	7,494	-	7,494
Water/Sewer System	-	109,000	109,000
Total Depreciation Expense	$ 22,815	109,000	$ 131,815

NOTE 8 - LONG-TERM DEBT

Governmental Activities

A summary of long-term debt transactions for the year ended September 30, 2014, were as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 4,870	2,435	(2,435)	$ 4,870	$ 2,435
Total	$ 4,870	2,435	(2,435)	$ 4,870	$ 2,435

Business-Type Activities

Long-term debt activity for the year ended September 30, 2014, is presented as follows:

Business -type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 1,000,478	-	(91,503)	$ 908,975	$ 95,283
Note payable	6,425	-	(6,425)	-	-
Compensated absences	2,325	-	-	2,325	2,325
Totals	$ 1,009,228	-	(97,928)	$ 911,300	$ 97,608

Revenue Bond

1. On November 28, 1984, the City of Fayette issued a Combined Water and Sewer System Revenue Bond (the "Bond") of the City of Fayette, Mississippi (the "Municipality"), in the principal amount of one million two hundred eighty three thousand six hundred dollars ($1,283,600), dated the date of delivery thereof, November 28, 1984, bearing interest at the rate of 5% per annum and being payable as to interest only on the 28th day of November in each of the years 1985 and 1986, and being payable as to principal and interest in equal monthly installments of $6,686 in each of the years 1987 to 2019, inclusive.

The bond was issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authority of the Constitution and statutes of the State of Mississippi, including Sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and by further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the City of Fayette.

This bond was purchased by the USDA Rural Development Administration.

The annual requirement to amortize all bonded debt outstanding as of September 30, 2014 including interest payments of $80,232 are as follows:

Year Ended September 30,	Principal	Interest	Total
2015	$ 65,905	14,327	$ 80,232
2016	69,276	10,956	80,232
2017	72,821	7,411	80,232
2018	76,547	3,685	80,232
2019	31,872	368	32,240
	$ 316,421	$ 36,747	$ 353,168

2. On November 2, 1995, the City of Fayette issued a combined water and sewer system revenue bond (the "Bond") of the City of Fayette, Mississippi (the "Municipality"), in the principal amount of nine hundred forty four thousand dollars ($944,000), dated the date of delivery thereof, November 2, 1995. The water revenue bond consisted of an issue in the amount of $140,000 bearing interest at a rate of 4.50% per annum and issued in the amount of $804,000 bearing interest at a rate of 5.0% per annum each being payable of interest only on the first and second anniversary dates of the bond. Principal payments with interest on the unpaid principal balance from date thereof, and paid in equal monthly installments of principal and interest in the amount of $686 for the $140,000 bond issue and three thousand nine hundred thirty seven dollars $3,937 monthly payments for the $804,000 bond issue. The payments will begin on the third anniversary date of the bond and continuing through the thirty-fifth anniversary date of the bond; provided that the final payment of the entire indebtedness, if no sooner paid, shall be due and payable thirty-five (35) years from the date thereof.

The bonds were issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authorization of the Constitution and statutes of the State of Mississippi, including sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the City of Fayette.

The bonds were purchased by the U.S. Department of Agriculture and the Rural Economic and Community Development.

The annual requirement to amortize the bonded debt outstanding as of September 30, 2014 including interest payments of $916,170 are as follows for the Enterprise Fund:

	Water Bond		Sewer Bond	
Year Ended September 30,	Principal	Interest	Principal	Interest
2015	$ 25,080	22,164	4,299	$ 3,933
2016	26,231	21,012	4,496	3,736
2017	27,437	19,807	4,703	3,529
2018	28,697	18,546	4,919	3,313
2019	30,016	17,228	5,145	3,087
2020 to 2024	172,073	71,704	29,495	11,665
2025 to 2029	194,381	20,979	35,583	4,238
	$ 503,915	191,440	88,640	$ 33,501

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The City adopted GASB Statement 54 during the year ended September 30, 2014 as such, fund balance of the governmental funds are classified by specific purpose as follows:

Restricted - amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

The City adopted GASB Statement 54 during the year ended September 30, 2014 as such, fund balance of the governmental funds are classified by specific purpose as follows:

Restricted - amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

Fund Balances:	General Fund	Nonmajor Funds	Total
Restricted for:			
Public safety	$ -	32,166	$ 32,166
Parks and recreations	-	20,244	20,244
Unassigned:			
Other purposes	136,440	(11,922)	124,518
Total Fund Balances	$ 136,440	40,488	$ 176,928

NOTE 10 - DEFINED BENEFIT PENSION PLANS

The City does not offer any type of retirement or pension plan to its employees.

NOTE 11 - COMPENSATION OF ELECTED OFFICIALS

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2014 were as follows:

City Official	Position	Amount
Rogers King	Mayor	$ 20,988
Kenneth Coffie	Alderman	6,000
Marcus Walton	Alderman	6,000
Arnold E. Clark, Jr.	Alderman	6,000
Deliquin D. James, Sr.	Alderman	6,000
Cedric W. Doss	Alderman	6,000
Hattie Davis	City Clerk	33,375
Denise Wilson	Deputy City Clerk	18,117
Litricia King	Deputy City Clerk	24,960
David Houston	Police Chief	33,995

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The City has been named as a defendant in several lawsuits as of September 30, 2014. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the City's liability. Losses, if any, are not expected to exceed available insurance coverage.

NOTE 13 - RESERVED FUND BALANCES AND RETAINED EARNINGS

Various bond covenants require the City to maintain cash reserves that can only be used under specific circumstances. Since these funds are available only under specific circumstances, the amounts are presented as restricted.

NOTE 14 - 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. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 15 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Alderwomen. At fiscal year-end, the receivable represent delinquent taxes.

Property taxes on real, personal and public utilities attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Jefferson County bill and collect the real, personal and ad valorem taxes for the City of Fayette, Mississippi. The taxes are remitted to the City on a monthly basis.

The taxes are due on or before February1; however, installment payments can be made one-half of balance due February 1 and one-fourth each on May 1 and August 1. Major tax payments are received February through May, are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 20, 2015, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 17 - NEW ACCOUNTING STANDARDS

The City will adopt the following new accounting pronouncements in future years:

In March 2012, GASB issued Statement No. 65: This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial statements whose periods begin after December 15, 2012.

In March 2012, GASB issued Statement No. 66: The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is effective for financial statements whose periods begin after December 15, 2012.

In June 2012, GASB issued Statement No. 67: The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

The impact of these pronouncements on the City's financial statements has not been determined.

CITY OF FAYETTE, MISSISSIPPI

SUPPLEMENTARY INFORMATION

September 30, 2014

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS- NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTE, MISSISSIPPI
Nonmajor Governmental Funds
September 30, 2014

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Fire Protection Fund - This fund is used to account for state fire insurance premium refunds which are legally restricted for use in fire protection.

Garbage Fund - This fund is used to account for the charges for services which include the collection of garbage.

SCHEDULE A

CITY OF FAYETTE, MISSISSIPPI
Combined Balance Sheet
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
ASSETS			
Cash	$ 35,119	2,337	$ 37,456
Accounts receivable	-	1,083	1,083
Due from other funds	-	4,561	4,561
TOTAL ASSETS	$ 35,119	7,981	$ 43,100
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payables	$ -	13,592	$ 13,592
Payroll taxes payable	-	5,200	5,200
Due to other funds	2,953	1,111	4,064
Total Liabilities	2,953	19,903	22,856
Fund Balances:			
Restricted	32,166	-	32,166
Unassigned	-	(11,922)	(11,922)
Total Fund Balances	32,166	(11,922)	20,244
TOTAL LIABILITIES AND FUND BALANCES	$ 35,119	7,981	$ 43,100

SCHEDULE B

CITY OF FAYETTE, MISSISSIPPI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year ended September 30, 2014

	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
Revenues			
Intergovernmental revenues	$ 8,796	-	$ 8,796
Charges for services	-	48,714	48,714
Interest income	70	-	70
Total Revenues	8,866	48,714	57,580
EXPENDITURES:			
Public safety	1	-	1
Sanitation	-	45,409	45,409
Parks and recreations	-	-	-
Total Expenditures	1	45,409	45,410
Excess of Revenues Over (Under Expenditures	8,865	3,305	12,170
Other Financing Sources (Uses)			
Operating transfers in	-	2,391	2,391
Total Other Financing Sources (Uses)	-	2,391	2,391
Net Change in Fund Balance	8,865	5,696	14,561
Fund Balance, October 1, 2013	23,301	(17,618)	5,683
Fund Balance, September 30, 2014	$ 32,166	(11,922)	$ 20,244

SCHEDULE C

CITY OF FAYETTE, MISSISSIPPI
Schedule of Cash Receipts and Disbursements
Reserve Accounts Required by Rural Development
Enterprise Fund
Year Ended September 30, 2014

	Depreciation Fund	Contingency Fund	Bond Cushion Fund	Total
Cash and investment at beginning of year	$ 11,448	11,448	20,859	$ 43,755
Cash Receipts:				
Interest income	27	27	51	105
Total Receipts	27	27	51	105
Total cash and investments available	11,475	11,475	20,910	43,860
Cash Disbursements:				
Transfer to other funds	2,000	2,000	3,256	7,256
Total cash disbursements	2,000	2,000	3,256	7,256
Cash and Investment at End of Year	$ 9,475	9,475	17,654	$ 36,604

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor Rogers King
and Honorable Members of the Board of Alderman
Fayette, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fayette, Mississippi's basic financial statements and have issued our report thereon dated August 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered the City of Fayette, 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 Fayette, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fayette, Mississippi's internal control.

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

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2014-01 and 2014-02)

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayette, 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.*

City of Fayette's Response to Findings

The City of Fayette, Mississippi response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Fayette, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Barb, Finley, White & Co.

Ridgeland, Mississippi
August 20, 2015

CITY OF FAYETTE, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2014

Prior year audit findings are listed below as follows:

Finding 2011-01, 2012-01, 2013-01- Preparation of Annual Financial Statements

Current Status - Not corrected, repeated finding

Finding 2009-1, 2010-2, 2011-02, 2012-02, 2013-02 - Collection of Utility Accounts Receivable

Current Status - ***Not corrected, repeated finding***

Finding 2014-01

Preparation of Annual Financial Statements

Finding

The City's annual financial statements, including the notes, are the responsibility of the City's management. Therefore, a proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements in the annual financial statements and notes. the City management has requested that we prepare the City's financial statements, including the related notes, because the City does not have the necessary internal expertise to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. As is the case with many municipalities of similar size, the City has determined that it is more cost efficient to utilize the expertise of the auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise. While we have implemented appropriate controls over the financial statement preparation process within our CPA firm, our controls cannot be considered as part of the City's controls. Accordingly, a material weakness in the City's internal controls exists in the annual financial statement reporting function.

Auditor's Recommendation

The City should take the necessary steps to ensure that the City's annual financial statements, including the notes are prepared by an individual who have the expertise to prepare such financial statements to ensure that the statements are complete and accurate.

Auditee's Response

The City's management has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial statements. However, management thoroughly reviews and approves the annual financial statements prior to issuance.

Finding 2014-02

Collection of Utility Accounts Receivable

Finding

During our water and sewer testwork, we found that two (2) alderperson, and several customers had outstanding balances that have extended beyond a reasonable period of time.

Auditor's Recommendation

We strongly suggest that the City enforce its payment policies. In addition, the City should implement administrative control procedures to ensure that collection procedures are properly executed in a timely manner. This will help to improve collections and thereby increase the profitability and the availability of funds.

Auditee's Response

The City will adopt procedures to ensure that the collection policy is enforced for all customers and proper action will be taken to enforce procedures for nonpaying customers.

BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor Rogers King, and
Honorable Members of the Board of Alderman
of the City of Fayette, Mississippi

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi (the City) as of and for the year ended September 30, 2014, which collectively comprise the City of Fayette, Mississippi's basic financial statements and have issued our report thereon dated August 20, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United of States America and the standards applicable to financial audits contained in *Governmental Auditing Standards, issued by the Comptroller General of the United States.*

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the Mayor, Board of Alderman, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Banks, Finley, White & Co.

August 20, 2015

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SCHEDULE D

CITY OF FAYETTE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2014

Official Name	Position	Insured By	Bond Amount
Rogers King	Mayor	U S F & G	50,000
Kenneth Coffie	Alderman	U S F & G	15,000
Arnold Clark, Jr.	Alderman	U S F & G	15,000
Marcus Walton	Alderman	U S F & G	15,000
Deliquin D. James	Alderman	U S F & G	15,000
Cedric Doss	Alderman	U S F & G	15,000
Hattie Davis	City Clerk	U S F & G	50,000
Denise Wilson	Deputy Clerk	U S F & G	50,000
Litricia King	Deputy Clerk	U S F & G	50,000
David Houston	Police Chief	U S F & G	50,000

SCHEDULE E

CITY OF FAYETTE, MISSISSIPPI
Schedule of Capital Assets
September 30, 2014

A. All Governmental Funds

Non Depreciable Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Construction in progress	$ 601,412	-	-	$ 601,412
Total Non Depreciable Capital Assets	601,412	-	-	601,412
Depreciable Capital Assets				
Building and improvements	273,591	-	-	273,591
Automotive and equipment	319,293	-	-	319,293
Machinery and equipment	128,708	-	-	128,708
Total Depreciable Capital Assets	721,592	-	-	721,592
Accumulated Depreciation				
Building and improvements	75,093	13,336	-	88,429
Automotive and equipment	318,782	511	-	319,293
Machinery and equipment	111,157	8,968	-	120,125
Total Accumulated Depreciation	505,032	22,815	-	527,847
Capital Assets Net Book Value	$ 817,972	(22,815)	-	$ 795,157

B. All Enterprise Funds

Non Depreciable Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land and right of ways	$ 6,120	-	-	$ 6,120
Total Non Depreciable Capital Assets	6,120	-	-	6,120
Depreciable Capital Assets				
Building	27,500	-	-	27,500
Water/sewer system	4,623,214	-	-	4,623,214
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	211,283	-	-	211,283
Total Depreciable Capital Assets	4,996,196	-	-	4,996,196
Accumulated Deprecation				
Building	27,500	-	-	27,500
Water/sewer system	4,163,135	86,244	-	4,249,379
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	133,313	22,756	-	156,069
Total Accumulated Depreciation	4,458,147	109,000	-	4,567,147
Capital Assets Net Book Value	$ 544,169	(109,000)	-	$ 435,169

SCHEDULE F

CITY OF FAYETTE, MISSISSIPPI
Statement of Investments
September 30, 2014

The City of Fayette, Mississippi did not have any investments for the year ended September 30, 2014.

SCHEDULE G

CITY OF FAYETTE, MISSISSIPPI
Statement of Legal Debt Limit
September 30, 2014

Authorized Debt Limit Percent Rule

Authorized Debt Limit Percent	10%	15%
2014 Tax Roll Estimation	$ 5,898,836	$ 5,898,836
Less: Homestead Exemption	(19,178)	(19,178)
Net 2014 Estimation Tax Roll	$ 5,879,658	$ 5,879,658
Assessed Valuation under respective debt limit	$ 587,966	$ 881,949
Less: All Bonded Indebtness	908,976	908,976
Deduct: Authorized Exemptions		
Water/Sewer Revenue Bonds	908,976	908,976
Margin for further debt under respective debt limits	$ 587,966	$ 881,949

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

SCHEDULE H

CITY OF FAYETTE, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2014

	Authorized	Issued	Balance Outstanding Oct. 1, 2013	During Fiscal Year Issued	During Fiscal Year Retired	Balance Outstanding Sept. 30, 2014
Proprietary:						
Revenue Bonds						
91-01 Revenue Bond	$ 1,283,600	$ 1,283,600	$ 379,125	$ -	$ 62,704	$ 316,421
92-03 Revenue Bond	804,000	804,000	527,887	-	23,972	503,915
91-05 Revenue Bond	140,000	140,000	93,466	-	4,826	88,640
Total Revenue Bonds	2,227,600	2,227,600	1,000,478	-	91,502	908,976
Other Long-term Debt						
Bank note payable	44,357	44,357	6,425	-	6,425	-
Total Other Long-Term Debt	44,357	44,357	6,425	-	6,425	-
Total Long-Term Debt	$ 2,271,957	$ 2,271,957	$ 1,006,903	$ -	$ 97,927	$ 908,976