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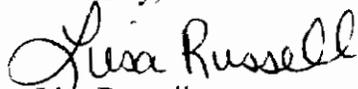
October 13, 2015

Office of State Auditor
P. O. Box 956
Jackson, MS 39201

Dear Sir:

Enclosed is the City of Fulton audit for the year ending September 30, 2014. If you need additional information, please call.

Sincerely,


Lisa Russell
City Clerk

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LYNETTE WEATHERFORD
Mayor

LISA RUSSELL
City Clerk

MICHAEL P. MILLS, JR.
Attorney

LIZ BEASLEY
At-Large

HAYWARD WILSON
Ward I

ALDERMEN:
MIKE NANNEY
Ward II

JOEY STEELE
Ward III

BARRY CHILDERS
Ward IV

CITY OF FULTON, MISSISSIPPI

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

SEPTEMBER 30, 2014

**MIKE DOZIER, CERTIFIED PUBLIC ACCOUNTANT, P.C.
P.O. BOX 217
FULTON, MS 38843
662-862-7955
F.I.N. 64-0780171**

**CITY OF FULTON, MISSISSIPPI
BASIC FINANCIAL STATEMENTS**

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**CITY OF FULTON, MISSISSIPPI
BASIC FINANCIAL STATEMENTS**

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MIKE DOZIER

Certified Public Accountant, P.C.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
The City of Fulton
Fulton, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund in formation, of The City of Fulton, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fulton'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 the 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 of 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.

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 in formation, of the City of Fulton, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

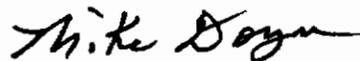
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fulton basic financial statements. The combining and individual fund Financial Statements and other supplemental information, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual Non-Major Fund Financial Statements and the schedule of surety bonds for municipal officials and employees 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 Non-Major Fund Financial Statements and the schedule of surety bonds for municipal officials and employees are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2015, on our consideration of the City of Fulton, 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 the City of Fulton's internal control over financial reporting and compliance.



Mike Dozier,
Certified Public Accountant, P.C.

July 10, 2015

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

As management of the City of Fulton, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$15,471,712 (net position). Of this amount, \$3,483,025 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position decreased by \$498,468 during the current fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,169,865 a decrease of \$308,641 during the current fiscal year. Approximately 71% percent of this total amount, or \$1,529,489, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,277,266.

The City's total debt decreased by \$481,251 during the current fiscal year.

The City's governmental fund property taxes increased by approximately \$22,801, sales taxes increased by \$41,736.

Overview of the Financial Statements

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

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**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development and housing and community development. The business-type activities of the City include natural gas operations, water and sewer operations and waste collection operations.

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

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

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014**

Governmental funds - continued. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, debt service fund and the special revenue funds. Budgetary comparison schedules for the general fund has been provided in the financial statements on pages 53-56 to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The City maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its natural gas operations, water operations, sewer operations, and its waste collection operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas operations, the water operations, sewer operations, and the waste collection operations. The gas system fund, the water fund and sewer fund are considered to be major funds of the City. The waste collection fund is considered to be a non-major fund of the City. The revenues and expenditures reported in the internal service fund are not included in the government-wide financial statements since the related expense pertaining to each activity has already been included therein.

The basic proprietary fund financial statements can be found on pages 21-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to budgetary comparison schedules for certain governmental funds referred to earlier. Required supplementary information can be found on pages 61-64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 67 and 68 of this report.

Government-wide Financial Analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fulton, assets exceeded liabilities by \$15,471,712 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (72 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately 6 percent or \$836,351) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately 23 percent or \$3,483,025) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net positions, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net position decreased by \$498,468 during the current fiscal year. This decrease was mainly due to the \$321,066 decrease in net position from the governmental activities and the business-type activities of \$177,402 as detailed on the City of Fulton, Mississippi's changes in net position presented on the following pages. See other detail changes on the following pages.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2014

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Net Position

	Governmental Activities			Business-Type Activities			Total		
	2014	2013	% Change	2014	2013	% Change	2014	2013	% Change
Current and other assets	\$ 3,238,338	\$ 3,504,291	-8%	\$ 2,355,009	\$ 2,238,334	5%	\$ 5,593,347	\$ 5,742,625	-3%
Capital assets	8,125,679	8,340,216	-3%	12,724,736	13,377,706	-5%	20,850,415	21,717,922	-4%
Total assets	11,364,017	11,844,507	-4%	15,079,745	15,616,040	-3%	26,443,762	27,460,547	-4%
Deferred outflows of resources	-	-	0%	-	-	0%	-	-	0%
Long-term liabilities outstanding	2,729,514	2,958,258	-8%	6,496,763	7,170,390	-9%	9,226,277	10,128,648	-9%
Other liabilities	248,979	246,293	1%	603,713	288,971	109%	852,692	535,264	59%
Total liabilities	2,978,493	3,204,551	-7%	7,100,476	7,459,361	-5%	10,078,969	10,663,912	-5%
Deferred inflows of resources	893,081	826,447	8%	-	-	0%	893,081	826,447	8%
Net position	5,277,752	5,284,850	0%	5,874,584	6,253,742	-6%	11,152,336	11,538,592	-3%
Net investment in capital assets	612,187	652,164	-6%	224,164	220,525	2%	836,351	872,689	-4%
Restricted	1,602,504	1,876,495	-15%	1,880,521	1,682,409	12%	3,483,025	3,558,904	-2%
Unrestricted	7,492,443	7,813,509	-4%	7,979,269	8,156,676	-2%	15,471,712	15,970,185	-3%
Total net position	\$ 7,492,443	\$ 7,813,509	-4%	\$ 7,979,269	\$ 8,156,676	-2%	\$ 15,471,712	\$ 15,970,185	-3%

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2014

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Changes in Net Position

	Governmental		Increase (Decrease)	%	Business-Type		Increase (Decrease)	%	Total		Increase (Decrease)	%
	2014	2013			2014	2013			2014	2013		
Revenue												
Program revenue;												
Charges for services	\$ 235,148	\$ 255,432	\$ (20,284)	-8%	\$ 3,736,605	\$ 3,362,144	\$ 374,461	11%	\$ 3,971,753	\$ 3,617,576	\$ 354,177	10%
Capital grants and contributions	.	30,352	(30,352)	-100%	.	.	.	.	.	30,352	(30,352)	-100%
General revenue:												
Property taxes and late fees	847,515	824,714	22,801	3%	.	.	.	.	847,515	824,714	22,801	3%
Homestead exemption	57,244	54,533	2,711	5%	.	.	.	.	57,244	54,533	2,711	5%
Sales taxes	1,518,944	1,477,208	41,736	3%	.	.	.	.	1,518,944	1,477,208	41,736	3%
Franchise tax	85,462	89,858	(4,396)	-5%	.	.	.	.	85,462	89,858	(4,396)	-5%
TVA and other payment in lieu of taxes	102,031	132,371	(30,340)	-23%	.	.	.	.	102,031	132,371	(30,340)	-23%
Road tax and ad valorem privilege tax	235,870	261,371	(25,501)	-10%	.	.	.	.	235,870	261,371	(25,501)	-10%
Municipal aid and gasoline tax	10,672	10,672	.	0%	.	.	.	.	10,672	10,672	.	0%
Earnings on investments	1,366	4,028	(2,662)	-66%	.	2,608	(2,608)	-100%	1,366	6,636	(5,270)	-79%
Other	297,081	209,459	87,622	42%	.	.	.	.	297,081	209,459	87,622	42%
Total revenue	\$ 3,391,333	\$ 3,349,998	\$ 41,335	1%	\$ 3,736,605	\$ 3,364,752	\$ 371,853	11%	\$ 7,127,938	\$ 6,714,750	\$ 413,188	6%

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CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2014

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Changes in Net Position-Continued

	Governmental Activities		Increase (Decrease)	% Change	Business-Type Activities		Increase (Decrease)	% Change	Total		Increase (Decrease)	% Change
	2014	2013			2014	2013			2014	2013		
Expenses:												
General government	\$ 874,810	\$ 877,008	\$ (2,198)	0%	\$ -	\$ -	\$ -	-	\$ 874,810	\$ 877,008	\$ (2,198)	0%
Public safety	789,285	759,833	29,452	4%	-	-	-	-	789,285	759,833	29,452	4%
Public works	1,101,913	1,168,668	(66,755)	-6%	-	-	-	-	1,101,913	1,168,668	(66,755)	-6%
Culture and recreation	275,598	270,055	5,543	2%	-	-	-	-	275,598	270,055	5,543	2%
Fire protection	290,441	274,656	15,785	6%	-	-	-	-	290,441	274,656	15,785	6%
Emergency management	77,879	80,529	(2,650)	-3%	-	-	-	-	77,879	80,529	(2,650)	-3%
Other programs	189,223	147,999	41,224	28%	-	-	-	-	189,223	147,999	41,224	28%
Interest and fiscal charges	96,056	125,182	(29,126)	-23%	-	-	-	-	96,056	125,182	(29,126)	-23%
Water	-	-	-	-	1,407,843	1,407,054	789	0%	1,407,843	1,407,054	789	0%
Gas	-	-	-	-	1,688,038	1,458,030	230,008	16%	1,688,038	1,458,030	230,008	16%
Sewer	-	-	-	-	484,839	584,772	(99,933)	-17%	484,839	584,772	(99,933)	-17%
Garbage	-	-	-	-	354,226	400,226	(46,000)	-11%	354,226	400,226	(46,000)	-11%
Total expenses	<u>3,695,205</u>	<u>3,703,930</u>	<u>(8,725)</u>	<u>0%</u>	<u>3,934,946</u>	<u>3,850,082</u>	<u>84,864</u>	<u>2%</u>	<u>7,630,151</u>	<u>7,554,012</u>	<u>76,139</u>	<u>1%</u>
Increase (decrease) in net position before transfers	<u>(303,872)</u>	<u>(353,932)</u>	<u>50,060</u>	<u>-14%</u>	<u>(198,341)</u>	<u>(485,325)</u>	<u>286,984</u>	<u>-59%</u>	<u>(502,213)</u>	<u>(839,257)</u>	<u>337,044</u>	<u>-40%</u>
Transfers	<u>(17,194)</u>	<u>(23,250)</u>	<u>6,056</u>	<u>-26%</u>	<u>20,939</u>	<u>25,014</u>	<u>(4,075)</u>	<u>-16%</u>	<u>3,745</u>	<u>1,764</u>	<u>1,981</u>	<u>112%</u>
Increase (decrease) in net position	<u>(321,066)</u>	<u>(377,182)</u>	<u>56,116</u>	<u>-15%</u>	<u>(177,402)</u>	<u>(460,311)</u>	<u>282,909</u>	<u>-61%</u>	<u>(498,468)</u>	<u>(837,493)</u>	<u>339,025</u>	<u>-40%</u>
Net position beginning of year	<u>7,813,509</u>	<u>8,190,691</u>	<u>(377,182)</u>	<u>-5%</u>	<u>8,156,671</u>	<u>8,616,987</u>	<u>(460,316)</u>	<u>-5%</u>	<u>15,970,180</u>	<u>16,807,678</u>	<u>(837,498)</u>	<u>-5%</u>
Net position end of year	<u>\$ 7,492,443</u>	<u>\$ 7,813,509</u>	<u>\$ (321,066)</u>	<u>-4%</u>	<u>\$ 7,979,269</u>	<u>\$ 8,156,676</u>	<u>\$ (177,407)</u>	<u>-2%</u>	<u>\$ 15,471,712</u>	<u>\$ 15,970,185</u>	<u>\$ (498,473)</u>	<u>-3%</u>

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014**

Government-Wide Financial Analysis – Continued

Governmental activities. Governmental activities decreased the City's net position by \$321,066. By comparison governmental activities reported a \$377,182 decrease for the prior year. Key elements of the changes were as follows:

The City's earnings on investments decreased by approximately \$2,662 and charges for services decreased by \$20,284. Grants decreased by approximately \$30,352. Payments in lieu of taxes decreased by \$30,340. Road taxes and advalorem taxes from Itawamba County decreased \$25,501.

General government expenses decreased by \$2,198, public safety expenses increased by \$29,452 (4 percent), public works decreased by \$66,755 (6 percent), culture and recreation increased by \$5,543 (2 percent), Fire Protection increased \$15,785, emergency management decreased \$2,650 and other programs increased by \$41,224 (28 percent), and interest and fiscal charges decreased by \$29,126 (24 percent).

Business-type activities. Business-type activities decreased the City's net position by \$177,402. By comparison, business-type activities reported a decrease in net position the previous fiscal year of approximately \$460,311. Key elements of this increase over the prior year are as follows:

Business-type activities reported a decrease in the City's net position by \$177,402 during the current year. By comparison, business-type activities reported a decrease in net position the previous fiscal year of \$460,311. Key elements of this increase are as follows:

Charges for services for business-type activities increased \$374,461, or 11 percent, compared to the prior year. This was the result of normal variation in natural gas sold and an increase in the cost of gas.

Expenses increased approximately 2 percent or \$84,864, primarily due to natural gas expenditures increased by \$230,008 (16% primarily due to an increase in the cost of natural gas purchased).

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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014

Governmental funds – (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,169,865, a decrease of \$308,641 in comparison with the prior year. Approximately 71 percent of this total amount \$1,529,489 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for prepaid expense \$23,919, and 2) Restricted \$616,457, (\$521,957 for debt service, \$58,148 for tourism, \$32,082 for fire protection, \$17 for Gaither House and \$4,253 for drug prevention).

The decrease of \$308,641 in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- . The General Fund decreased \$154,198.
- . The Special Revenue – Park and Recreation Fund decreased \$68,501.
- . The Debt Service Funds decreased \$130,206.
- . The Tourism Tax Fund increased \$34,246.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,277,266, while total fund balance was \$1,301,185. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 43 percent of total general fund expenditures.

Proprietary Funds

The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail. Unrestricted net position of the gas system, water system, sewer system and waste collection funds at the end of the year amounted to \$727,716, \$888,560, \$146,162, and \$118,083 respectively. The gas system fund had an increase in net position for the year of \$2,968, the water system fund had a decrease in net position for the year of \$168,195 the sewer system fund had an decrease in net position for the year of \$9,586, and the waste collection fund had a decrease of \$2,589. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City made the following amendments to its original budgets. Significant differences were as follows: a \$5,200 increase in grant revenue, \$1,700 increase in other revenue, \$8,000 increase in finance and administrative expenditures, a \$4,700 increase in police expenditures, a \$7,205 Increase in Fire Department expenditures, \$110,400 increase in street department expenditures, \$33,000 increase in Grammar School Building Expenditures, \$5,400 increase in Emergency Management Expenditures, and

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014**

General Fund Budgetary Highlights -continued

\$2,000 increase in Animal Control Expenditures. These changes were precipitated by the need to increase expenditures in certain areas deemed by the Board of Alderpersons to be beneficial to the City.

During the year, general fund revenues were more than the budgetary estimates and expenditures were less resulting in an actual increase in fund balance that was less than the final amended budget fund balance amount by approximately \$358,377.

Capital Asset and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business type activities as of September 30, 2014, amounted to \$20,850,415 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after October 1, 2003.

Major capital asset events during the current fiscal year included the following:

1. General Administration- Improvements	\$ 33,723
2. Sewer System Equipment	25,558
3. Street Department Equipment	205,294
4. Water System Equipment	33,475
5. Fire Reserve Truck	46,700
6. Police Vehicle	28,229
7. Gas Line Stoppers	6,434
8. Gaither House Improvements	33,707
9. Grammar School Building Improvements	53,801

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 3,587,464	\$ 134,948	\$ 3,722,412
Buildings and Improvements	5,777,679	77,872	\$ 5,855,551
Automotive, equipment and systems	4,853,637	25,156,860	\$ 30,010,497
Less: Accumulated depreciation	(6,093,101)	(12,644,944)	\$ (18,738,045)
Total	<u>\$ 8,125,679</u>	<u>\$ 12,724,736</u>	<u>\$ 20,850,415</u>

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

Long-term Debt:

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$9,698,079.

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2014**

City of Fulton, Mississippi's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
Notes	\$ -	\$ 3,890,152	\$3,890,152
Limited Obligation bonds	190,000	-	190,000
Revenue Bonds	-	2,960,000	2,960,000
Industrial Note	<u>2,657,927</u>	<u>-</u>	<u>2,657,927</u>
Total	<u>\$ 2,847,927</u>	<u>\$ 6,850,152</u>	<u>\$9,698,079</u>

The City's total debt increased by \$481,251, during the current fiscal year.

Not included above, but reported as long-term debt in the financial statements, is the accumulated leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as a compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2014-15 fiscal year:

The City does not expect its tax base to vary significantly from the current year.

Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 213 W. Wiygul St., Fulton, Mississippi 38843.

CITY OF FULTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash and cash equivalents	\$ 1,888,254	\$ 1,453,446	\$ 3,341,700
Restricted cash and cash equivalents	-	337,996	337,996
Receivables(net, where applicable, of allowances for uncollectibles)			
Accounts	-	425,389	425,389
Taxes	917,957	-	917,957
Police Fines	159,352	-	159,352
Due from other governments	248,576	-	248,576
Supply Inventory	-	134,691	134,691
Meter deposits	280	237	517
Prepaid expenses	23,919	3,250	27,169
Capital assets			
Land and right of ways	3,587,464	135,536	3,723,000
Other capital assets (net of accumulated depreciation)	4,538,215	12,589,200	17,127,415
Total Assets	<u>11,364,017</u>	<u>15,079,745</u>	<u>26,443,762</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Accounts payable	20,054	46,756	66,810
Customer deposits	-	113,832	113,832
Accrued interest	15,195	57,300	72,495
Long-term liabilities :			
Notes and bonds due within one year	204,198	163,291	367,489
Obligations under capital lease due within one year	-	219,290	219,290
Compensated absences due within one year	9,532	3,244	12,776
Obligations under capital lease due in more than one year	-	2,900,481	2,900,481
Compensated absences due in more than one year	85,785	29,192	114,977
Notes and bonds due in more than one year	2,643,729	3,567,090	6,210,819
Total Liabilities	<u>2,978,493</u>	<u>7,100,476</u>	<u>10,078,969</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	893,081	-	893,081
Total Deferred Inflows of Resources	<u>893,081</u>	<u>-</u>	<u>893,081</u>
NET POSITION			
Net Investment in Capital Assets	5,277,752	5,874,584	11,152,336
Restricted for:			
Bond cushion, depreciation and contingency - expendable	-	224,164	224,164
Debt service	521,957	-	521,957
Tourism	58,148	-	58,148
Fire Protection	32,082	-	32,082
Gaither House	17	-	17
Drug Fund	4,253	-	4,253
Unrestricted	1,598,234	1,880,521	3,478,755
Total Net Position	<u>\$ 7,492,443</u>	<u>\$ 7,979,269</u>	<u>\$ 15,471,712</u>

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

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CITY OF FULTON
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Net (Expenses) Revenue and Changes in Net Position					
	Program Revenues		Primary Government			
	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 874,810	\$ 11,908	\$ -	\$ (862,902)	\$ -	\$ (862,902)
Public safety	789,285	149,192	-	(640,093)	-	(640,093)
Public works	1,101,913	-	-	(1,101,913)	-	(1,101,913)
Culture and recreation	275,598	74,048	-	(201,550)	-	(201,550)
Fire protection	290,441	-	-	(290,441)	-	(290,441)
Emergency management	77,879	-	-	(77,879)	-	(77,879)
Other programs	189,223	-	-	(189,223)	-	(189,223)
Interest and fiscal charges	96,056	-	-	(96,056)	-	(96,056)
Total government activities	3,695,205	235,148	-	(3,460,057)	-	(3,460,057)
Business-type Activities:						
Water	1,407,843	1,236,009	-	-	(171,834)	(171,834)
Gas	1,688,038	1,691,006	-	-	2,968	2,968
Sewer	484,839	475,253	-	-	(9,586)	(9,586)
Garbage	354,226	334,337	-	-	(19,889)	(19,889)
Total Business-Type Activities	3,934,946	3,736,605	-	-	(198,341)	(198,341)
TOTAL PRIMARY GOVERNMENT	\$ 7,630,151	\$ 3,971,753	\$ -	(3,460,057)	(198,341)	(3,658,398)
General revenues:						
Taxes						
Property taxes and late fees				847,515	-	847,515
Road tax and ad valorem privilege tax				235,870	-	235,870
Municipal Sales Tax				1,518,944	-	1,518,944
Homesite exemption				57,244	-	57,244
Franchise tax				85,462	-	85,462
State Reimbursements				32,127	-	32,127
TVA and other payment in lieu of taxes				102,031	-	102,031
Municipal aid and gasoline tax				10,672	-	10,672
Investment income				1,366	-	1,366
Rent				139,079	-	139,079
Other				125,875	-	125,875
Transfers				(17,194)	20,939	3,745
Total				3,138,991	20,939	3,159,930
Change in net position				(321,066)	(171,402)	(498,468)
NET POSITION - BEGINNING, AS ADJUSTED				7,813,509	8,156,671	15,970,180
NET POSITION - ENDING				\$ 7,492,443	\$ 7,979,269	\$ 15,471,712

The accompanying notes are an integral part of this financial statement.

**CITY OF FULTON
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2014**

ASSETS	GENERAL	NONMAJOR OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 1,030,440	\$ 857,814	\$ 1,888,254
Investments	-	-	-
Receivable (Net of Allowance for Uncollectibles)			
Taxes	818,570	99,387	917,957
Due From Other Governments	248,196	380	248,576
Police-Fines	159,352	-	159,352
Prepaid Expenses	23,919	-	23,919
Meter Deposits	280	-	280
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,280,757</u>	<u>\$ 957,581</u>	<u>\$ 3,238,338</u>
LIABILITIES			
Liabilities:			
Vouchers Payable	18,199	1,855	20,054
Accrued Liabilities	-	-	-
Total Liabilities	<u>18,199</u>	<u>1,855</u>	<u>20,054</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>961,373</u>	<u>87,046</u>	<u>1,048,419</u>
Total Deferred Inflows of Resources	<u>961,373</u>	<u>87,046</u>	<u>1,048,419</u>
FUND BALANCES			
Nonspendable	23,919	-	23,919
Restricted	-	616,457	616,457
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,277,266</u>	<u>252,223</u>	<u>1,529,489</u>
Total Fund Balances	<u>1,301,185</u>	<u>868,680</u>	<u>2,169,865</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,280,757</u>	<u>\$ 957,581</u>	<u>\$ 3,238,338</u>

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

CITY OF FULTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Fund balances of governmental funds \$ 2,169,865

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

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

The assets were adjusted as follows:

Land and right of ways	3,587,464
Other capital assets	10,631,316
Less: accumulated depreciation	<u>(6,093,101)</u>
Total capital assets	<u>8,125,679</u>

Some of the City's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the governmental funds. The deferred revenues were adjusted as follows:

Revenues - Municipal court fines	152,793
Revenues - Property taxes	<u>2,545</u>
Total deferred revenues	<u>155,338</u>

Interest payable on long-term debt did not require current financial resources; therefore, interest payable was not reported as a liability in the governmental funds.

(15,195)

Long-term liabilities, including bonds and notes payable and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:

Bonds and notes payable	(2,847,927)
Compensated absences	<u>(95,317)</u>
Total long-term debt	<u>(2,943,244)</u>

Total net position of governmental activities	<u>\$ 7,492,443</u>
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The notes to the financial statements are an integral part of this statement

CITY OF FULTON
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE-GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>GENERAL</u>	<u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 907,312	\$ 92,551	\$ 999,863
Interest & Penalties	4,933	-	4,933
Printer Fees	270	-	270
Privilege Licenses	10,774	-	10,774
Municipal Aid & Gas Tax	10,672	-	10,672
Building Permits	1,134	-	1,134
Program Fees	-	24,185	24,185
Grant & Loans	5,217	-	5,217
In Licu of Taxes	102,031	-	102,031
Prograqm Dues	-	-	-
Municipal Sales Tax	1,460,308	58,636	1,518,944
State Fire Protection	-	-	-
Civil Defensc	32,127	-	32,127
Itawamba County	134,168	-	134,168
Court Revenue	160,769	-	160,769
Interest	1,166	200	1,366
Rent	426	138,653	139,079
Other	19,605	87,272	106,877
Sale of Equipment/Land	13,781	-	13,781
Cops and Drug Fund	-	-	-
Fire District	-	-	-
TVA Franchise Tax	85,462	-	85,462
Concession Revenue	-	49,863	49,863
	<u>2,950,155</u>	<u>451,360</u>	<u>3,401,515</u>
<u>EXPENDITURES</u>			
Finance and Administration	612,314	-	612,314
Police	791,620	-	791,620
Fire	248,416	-	248,416
National Guard and Airport	1,500	-	1,500
Animal Control	14,091	-	14,091
Emergency Management	79,036	-	79,036
Street Department	1,092,219	-	1,092,219

The accompanying notes are an integral part of this statement.

CITY OF FULTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>GENERAL</u>	<u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>EXPENDITURES-CONTINUED</u>			
Court Fund	\$ 71,994	\$ -	\$ 71,994
Library & Grammar School Building	120,420	-	120,420
Park & Recreation	-	254,774	254,774
Tourism	-	24,390	24,390
Fire Protection	-	49,286	471,578
Gaither House	-	33,707	
Drug	-	2,999	
Other	-	-	-
Debt Service Principle Retirement	-	197,345	197,345
Interest and Fiscal Charges	-	98,851	98,851
Total Expenditures	<u>3,031,610</u>	<u>661,352</u>	<u>3,692,962</u>
Excess (Deficit) of Revenues			
Over (Under) Expenditures	<u>(81,455)</u>	<u>(209,992)</u>	<u>(291,447)</u>
Other Financing			
Sources (Uses):			
Transfer In	25,366	55,549	80,915
Transfer (Out)	(98,109)	-	(98,109)
Other	-	-	-
Total Other			
Financing			
Sources (Uses)	<u>(72,743)</u>	<u>55,549</u>	<u>(17,194)</u>
Excess (Deficit) of Revenues			
& Other Sources			
Over (Under) Expenditures & Other Uses	(154,198)	(154,443)	(308,641)
Fund Balances -			
October 1, 2013	<u>1,455,383</u>	<u>1,023,123</u>	<u>2,478,506</u>
Fund Balances -			
September 30, 2014	<u>\$ 1,301,185</u>	<u>\$ 868,680</u>	<u>\$ 2,169,865</u>

The accompanying notes are an integral part of this financial statement.

CITY OF FULTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds \$ (308,641)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, activities with an individual cost of more than \$ 500 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	422,989
Depreciation expense	<u>(637,526)</u>
	<u>(214,537)</u>

The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities. 207,439

Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year.

Property taxes	1,395
Municipal court fines	<u>(11,577)</u>
	<u>(10,182)</u>

Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds. They are as follows:

(Increase) decrease in accrued interest	2,795
(Increase) decrease in compensated absences	<u>2,060</u>
	<u>4,855</u>
Changes in net position of governmental activities.	<u>\$ (321,066)</u>

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

**CITY OF FULTON
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
SEPTEMBER 30, 2014**

ASSETS	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	NONMAJOR FUND GARBAGE SYSTEM	TOTAL BUSINESS TYPE FUNDS
Current assets:					
Cash and cash equivalents-unrestricted	\$ 648,402	\$ 595,673	\$ 134,603	\$ 74,768	\$ 1,453,446
Cash and cash equivalents-restricted	284,842	53,154	-	-	337,996
Receivables (net of allowance for uncollectibles)	206,690	117,848	57,491	43,360	425,389
Prepaid expenses	500	2,750	-	-	3,250
Supply inventory	90,225	37,323	7,143	-	134,691
Deferred charges	-	-	-	-	-
Meter deposits	110	127	-	-	237
Total current assets	1,230,769	806,875	199,237	118,128	2,355,009
Noncurrent Assets:					
Capital assets:					
Nondepreciable land and improvements	46,009	46,075	43,452	-	135,536
Depreciable capital assets, net of accumulated deprecia	7,484,927	1,824,465	3,279,808	-	12,589,200
Total noncurrent assets	7,530,936	1,870,540	3,323,260	-	12,724,736
Total assets	\$ 8,761,705	\$ 2,677,415	\$ 3,522,497	\$ 118,128	\$ 15,079,745

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

**CITY OF FULTON
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	NONMAJOR FUND GARBAGE SYSTEM	TOTAL BUSINESS TYPE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 4,401	\$ 5,158	\$ 37,152	\$ 45	\$ 46,756
Accrued interest	45,840	-	11,460	-	57,300
Customer deposits	60,678	53,154	-	-	113,832
Compensated absences	713	2,085	446	-	3,244
Current portion of note payable	-	-	33,291	-	33,291
Current portion of revenue bond payable	104,000	-	26,000	-	130,000
Current portion of obligations under capital lease	138,153	81,137	-	-	219,290
Total current liabilities	<u>353,785</u>	<u>141,534</u>	<u>108,349</u>	<u>45</u>	<u>603,713</u>
Noncurrent liabilities:					
Compensated absences	6,413	18,762	4,017	-	29,192
Note payable, less current maturities	-	-	737,090	-	737,090
Revenue bond payable, less current portion	2,264,000	-	566,000	-	2,830,000
Lease obligations payable, less current portion	1,827,302	1,073,179	-	-	2,900,481
Total noncurrent liabilities	<u>4,097,715</u>	<u>1,091,941</u>	<u>1,307,107</u>	<u>-</u>	<u>6,496,763</u>
Total liabilities	<u>4,451,500</u>	<u>1,233,475</u>	<u>1,415,456</u>	<u>45</u>	<u>7,100,476</u>
NET POSITION					
Net investment in capital assets	3,197,481	716,224	1,960,879	-	5,874,584
Restricted for debt service	-	-	-	-	-
Restricted for bond cushion, depreciation and contingent-expendable	224,164	-	-	-	224,164
Unrestricted	888,560	727,716	146,162	118,083	1,880,521
Total net position	<u>\$ 4,310,205</u>	<u>\$ 1,443,940</u>	<u>\$ 2,107,041</u>	<u>\$ 118,083</u>	<u>\$ 7,979,269</u>

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

CITY OF FULTON
STATEMENT OF REVENUES EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND</u>				
	<u>WATER</u> <u>SYSTEM</u>	<u>GAS</u> <u>SYSTEM</u>	<u>SEWER</u> <u>SYSTEM</u>	<u>NONMAJOR</u> <u>FUND</u> <u>GARBAGE</u> <u>SYSTEM</u>	<u>TOTAL</u> <u>BUSINESS</u> <u>TYPE</u> <u>FUNDS</u>
<u>OPERATING REVENUES</u>					
Charges for services	\$ 1,236,009	\$ 1,691,006	\$ 475,253	\$ 334,337	\$ 3,736,605
Total operating revenues	<u>1,236,009</u>	<u>1,691,006</u>	<u>475,253</u>	<u>334,337</u>	<u>3,736,605</u>
<u>OPERATING EXPENSES</u>					
Personnel services	235,327	396,511	114,712	11,036	757,586
Services and supplies	90,146	78,213	42,167	335,677	546,203
Repairs	64,737	29,279	27,010	-	121,026
Operational	169,677	96,370	70,211	7,513	343,771
Purchases of natural gas	-	918,420	-	-	918,420
Purchases of water	334,829	-	-	-	334,829
Waste disposal	-	-	-	-	-
Depreciation	368,621	130,954	180,287	-	679,862
Total operating expenses	<u>1,263,337</u>	<u>1,649,747</u>	<u>434,387</u>	<u>354,226</u>	<u>3,701,697</u>
Operating Income (loss)	<u>(27,328)</u>	<u>41,259</u>	<u>40,866</u>	<u>(19,889)</u>	<u>34,908</u>
<u>NONOPERATING REVENUE (EXPENSES)</u>					
Interest revenue	-	-	-	-	-
Interest expenses and fiscal charges	(144,506)	(38,291)	(50,452)	-	(233,249)
Other	-	-	-	-	-
Total nonoperating revenue (expenses)	<u>(144,506)</u>	<u>(38,291)</u>	<u>(50,452)</u>	<u>-</u>	<u>(233,249)</u>
Income (loss) before transfers	<u>(171,834)</u>	<u>2,968</u>	<u>(9,586)</u>	<u>(19,889)</u>	<u>(198,341)</u>
Capital Grants					
Operating transfer in	34,427	-	-	17,300	51,727
Operating transfer out	(30,788)	-	-	-	(30,788)
Changes in net position	<u>(168,195)</u>	<u>2,968</u>	<u>(9,586)</u>	<u>(2,589)</u>	<u>(177,402)</u>
Net position - beginning, as adjusted	4,478,400	1,440,972	2,116,627	120,672	8,156,671
Net position - ending	<u>\$ 4,310,205</u>	<u>\$ 1,443,940</u>	<u>\$ 2,107,041</u>	<u>\$ 118,083</u>	<u>\$ 7,979,269</u>

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

CITY OF FULTON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				NONMAJOR FUND	GARBAGE SYSTEM	SEWER SYSTEM	GAS SYSTEM	WATER SYSTEM	TOTAL BUSINESS TYPE FUNDS
Cash Flows from Operating Activities:										
Receipts from customers and users	\$ 1,258,641	\$ 1,684,704	\$ 472,779	\$ 336,223	\$				\$ 3,752,347	
Payments to suppliers for goods and services	(793,277)	(1,295,417)	(177,405)	(345,941)					(2,612,040)	
Payments to employees including fringe benefits	(169,890)	(276,271)	(75,905)	(8,288)					(530,354)	
Cash payment in lieu of taxes	-	-	-	-	-				-	
	<u>295,474</u>	<u>113,016</u>	<u>219,469</u>	<u>(18,006)</u>					<u>609,953</u>	
Net Cash provided (used) by Operating Activities										
Cash Flows from Non-capital Financing Activities:										
Operating transfers in (out)	3,639	-	-	17,300					20,939	
Other non-operating cash receipts	-	-	-	-					-	
	<u>\$ 3,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,300</u>					<u>\$ 20,939</u>	
Net Cash Provided (Used) by Non-capital Financing Activities										

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

CITY OF FULTON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				NONMAJOR		TOTAL
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	GARBAGE SYSTEM	FUND	BUSINESS TYPE FUNDS	
Cash Flows from Capital and Related Financing Activities:							
Principal payments - revenue bonds	\$ (130,000)	\$ -	\$ (25,000)	\$ -	\$ -	\$ (155,000)	
Principal payments - capital lease	(57,499)	(33,767)	-	-	-	(91,266)	
Principal payments - notes	-	-	(27,544)	-	-	(27,544)	
Payments for capital acquisitions	(9,174)	(7,841)	(25,558)	-	-	(42,573)	
Interest and fiscal charges paid	(144,506)	(38,291)	(50,452)	-	-	(233,249)	
	<u>(341,179)</u>	<u>(64,217)</u>	<u>(128,554)</u>	<u>-</u>	<u>-</u>	<u>(533,950)</u>	
Net cash (used) provided for Capital Related Financing Activities:							
	-	-	-	-	-	-	
	-	-	-	-	-	-	
Cash Flows from Investing Activities:							
Receipts of interest	-	-	-	-	-	-	
Net cash provided from Investing Activities:							
	(42,066)	48,799	90,915	(706)		96,942	
Cash and Cash Equivalents 9-30-13	<u>975,310</u>	<u>600,028</u>	<u>43,688</u>	<u>75,474</u>		<u>1,694,500</u>	
Cash and Cash Equivalents 9-30-14	<u>\$ 933,244</u>	<u>\$ 648,827</u>	<u>\$ 134,603</u>	<u>\$ 74,768</u>		<u>\$ 1,791,442</u>	

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

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CITY OF FULTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND					NONMAJOR		TOTAL
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	GARBAGE SYSTEM	FUND	BUSINESS TYPE	FUNDS	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (27,328)	\$ 41,259	\$ 40,866	\$ (19,889)	\$		\$ 34,908	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	368,621	130,954	180,287	-	-		679,862	
(Increase) decrease in prepaid expense	93	(250)	-	-	-		(157)	
(Increase) decrease in deferred charges	-	-	-	-	-		-	
(Increase) decrease in receivables	(181)	(24,714)	(5,500)	(3,278)			(33,673)	
(Increase) decrease in provision for uncollectible accounts	18,630	14,121	3,026	5,164			40,941	
(Increase) decrease in inventory	(23,144)	(3,709)	-	-			(26,853)	
Net changes in customer deposits	4,183	4,291	-	-			8,474	
Increase (decrease) in accounts payable	(6,532)	(11,944)	(4,734)	(3)			(23,213)	
Increase (decrease) in compensated absences	(4,960)	(8,356)	(676)	-			(13,992)	
Increase (decrease) in accrued liabilities	(33,908)	(28,636)	6,200	-			(56,344)	
Total adjustments	322,802	71,757	178,603	1,883			575,045	
Net cash provided (used) by operating activities	\$ 295,474	\$ 113,016	\$ 219,469	\$ (18,006)	\$		\$ 609,953	

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

**CITY OF FULTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2014**

	AGENCY FUND
ASSETS	
Cash	\$ <u>6,515</u>
Total Assets	<u>6,515</u>
LIABILITIES	
Liabilities:	
Payable to other governments	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION	<u>\$ 6,515</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fulton, Mississippi, (“the City”) operates under the Home-Rule Authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, emergency management, park & recreation, natural gas utilities, water services, sewer services, and general administrative services.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America, (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. For the government-wide financial statements, and proprietary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, and applied, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies and practices used but the City are described below.

1. New Accounting Standard Implemented

In the fiscal year 2014, the City implemented a new statement of financial standard issued by the Governmental Accounting Standards Board (GASB).

During the year ended September 30, 2014, the City implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for EPB. This statement establishes accounting and financial reporting standards that reclassifies, 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. Implementation resulted in a direct decrease of \$107,267 to net position in governmental activities and \$107,267 to net position in business-type activities to eliminate bond issue costs. See Note R for the effects of this implementation on the City’s financial statements.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Reporting Entity

(a) Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the City (the primary government). The City is governed by an elected Mayor and five member Board of Alderpersons. In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is governed by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statements, determining whether certain organizations are component units. These criteria state that the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City for financial purposes, includes all of the activities relevant to the operations of the organization. The financial statements of the City include all administered programs that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board of commissioners. The City has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the City, therefore no other entities have been identified as a component unit.

3. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model, as defined by GASB Statement No. 34, the focus is either the City as a whole, or major individual funds (within the fund financial statements).

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Government-Wide and Fund Financial Statements - Continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate fund based financial statements are provided for governmental funds, propriety funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental fund is the general fund. The major business type funds are the gas system fund, the water fund and the sewer system fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements. The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligation of the government, these funds are not incorporated into the government-wide financial statements.

The government-wide focus is more of the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and business-type categories as well as the fiduciary funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting

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

Governmental fund level 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 the liability has matured and payment is due.

Ad valorem taxes, franchise taxes, licenses, fines, interest revenues and charges for services are recognized under the susceptible to accrual concept. All other revenue items are considered to be measurable and available only when cash is received by the City. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's gas fund, water fund, sewer fund and waste collection fund are charges to customers for sales and services. Operating expenses for the 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 non-operating revenues and expenses.

The following major funds are used by the City:

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - Continued

Governmental Funds:

The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (General Government, Public Safety, Public Works and Emergency Management, etc.), and is the primary operating unit of the City.

The City additionally reports other governmental funds which is a summary of all the nonmajor governmental funds.

Proprietary Funds:

The following is a description of the Major Proprietary Funds of the City:

- a. Gas System Fund accounts for the operation of the City's natural gas utility. Activities of the fund include administration, operation and maintenance of the natural gas system, and billing and collection activities. The fund also accounts for the accumulation of resources for and payment of long term debt principal and interest for revenue bonds and obligations under capital leases when due through the year. All cost are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.
- b. Water System and Sewer accounts for the operations of the City's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water fund and sewer system, and billing and collection activities. These funds also account for the accumulation of resources for and payment of long term debt principal and interest for revenue bonds and obligations under capital leases when due through the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of these funds.
- c. The City additionally reports non-major funds consisting of the Garbage Collection Fund, which accounts for the operation of the City's Garbage Collection. Customers are billed monthly at a rate to cover the cost of providing such service.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Fund Types:

The City additionally, reports for the following fund type:

- a. Agency Funds are used to account for assets held by the City in an agency capacity for other governments, individuals or companies.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

5. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased to be cash equivalents. Certificates of deposit with a maturity of more than 90 days when purchased are not considered to be cash equivalents. All investments are in certificates of deposit that are valued at cost which approximates fair value.

Cash and cash equivalents include the following Proprietary Fund cash balances.

	<u>Gas System</u>	<u>Sewer System</u>	<u>Water System</u>	<u>Garbage System</u>	<u>Total</u>
Cash and Cash Equivalents	\$595,673	\$134,603	\$ 648,402	\$74,768	\$1,453,446
Restricted Cash And Cash Equivalents	<u>53,154</u>	<u>-</u>	<u>284,842</u>	<u>-</u>	<u>337,996</u>
Total	<u>\$648,827</u>	<u>\$134,603</u>	<u>\$ 933,244</u>	<u>\$74,768</u>	<u>\$ 1,791,442</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Inventories and Prepaid Items

Inventories of the enterprise funds are maintained on the consumption method and are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of enterprise fund expendable supplies held for consumption. The governmental funds record inventories under the purchase method; therefore, items are recorded as expenses when purchased. The City governmental funds do not maintain material inventories; therefore, the accompanying fund and government-wide financial statements do not reflect governmental fund or governmental activities inventory.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis for both fund and government-wide financial statements.

7. Capital Assets

Property, plant and equipment purchased or acquired is recorded at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. As permitted by GASB 34, the city has elected to not report public domain (infrastructure) fixed assets acquired prior to October 1, 2003. Capital assets are defined by the government as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year.

Major outlays for assets and improvement are capital as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized phase of capital assets constructed. Net revenue bond interest costs incurred during construction periods is capitalized when material.

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

Assets	Years
Vehicles and equipment	5
Furniture, fixtures and equipment	3-10
Improvements	10-40
Buildings	10-40
Infrastructure – streets, roads and Utility Systems	20-40

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Compensated Absences

All full-time employees will accrue paid vacation at the following rate based on total continuous service:

After one (1) of service thru 5 years of service	1 Week per year
Six years of service thru 10 years of service	2 Weeks per year
After 10 years of services	3 Weeks per year
Police Department	1 Week equal 4 Days
Fire Department	1 Week equals 2 ½ Days
All Other Departments	1 Week equals 5 Days

A complete year is understood to be from the date of hire to the anniversary date.

All annual leave, comp time, and holiday hours given beginning January 1, 2011 will be taken before their hire date of the following year or they will lose it. Vacation will be granted, as far as possible, in accordance with employee preference and in line with department seniority.

In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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 financial statement of net assets.

9. Payable from Restricted Assets

Certain assets of the business-type activities have been restricted for debt service, and customer deposits. These assets consist of cash demand deposits and a savings account.

	<u>Sewer System</u>	<u>Gas System</u>	<u>Water System</u>
Customer deposits	\$ -	\$ 53,154	\$ 60,678
Bond Cushion depreciation contingent and Debt Service Fund	-	-	<u>224,164</u>
	<u>\$ -</u>	<u>\$ 53,154</u>	<u>\$ 284,842</u>

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**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The ordinances authorizing the Waste System Revenue Bonds require that the City establish the above revenue bond reserves. At September 30, 2014, the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report separate inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item for reporting in this category. It is the unavailable revenue reported in the government-wide statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The City reports unavailable revenues from the following sources:

	Government- Wide Governmental Activities	<u>General Fund</u>
Property Taxes	\$ 893,081	\$ 895,626
Police Fines	-	152,793
	<u>\$ 893,081</u>	<u>\$ 1,048,419</u>

11. Capitalization of Interest

In Conformity with Financial Accounting Standards No. 34, Capitalization of Interest Cost, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest and fiscal charges incurred in the enterprise funds was \$233,249. Interest costs and fiscal charges of \$233,249 were charged to expense. Interest costs, net of interest earned of \$0 were capitalized as fixed assets in the enterprise funds.

12. Fund Equity/Net Positions

In the government-wide financial statements, restricted net position are legally restricted by outside parties for a specific purpose. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Fund Equity/Net Positions – (continued)

Nonspendable fund balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories, or (b) legally or contractually required to be maintained intact.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) Externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderpersons, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for a specific purpose, but are neither restricted nor committed. The Board of Alderpersons and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The constraints on fund balances as listed in aggregate in the Statement of Revenues Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Fund Equity/Net Positions – (continued)

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balances:		
Nonspendable:		
Prepaid Items	\$ 23,919	\$ -
Total – Nonspendable	<u>\$ 23,919</u>	<u>\$ -</u>
Fund Balances:		
Restricted:		
Drug Fund	\$ -	\$ 4,253
Debt Service	-	521,957
Tourism Tax	-	58,148
Gaither House	-	17,000
Fire Protection	-	<u>32,082</u>
Total Restricted	<u>\$ -</u>	<u>\$ 616,457</u>
Committed:	<u>\$ -</u>	<u>\$ -</u>
Total Committed	<u>\$ -</u>	<u>\$ -</u>
Assigned:		
Subsequent year budget shortfall	<u>\$ -</u>	<u>\$ -</u>
Total Assigned	<u>\$ -</u>	<u>\$ -</u>

When restricted, committed, assigned and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first then committed, assigned, and unassigned in that order as needed.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2014, the cash balances included the following:

	<u>Account Balances</u>	<u>Ownership of Funds</u>	
Demand deposits	\$3,338,098	Governmental Funds	\$1,888,254
Savings Account	10,117	Enterprise Funds	1,791,442
Restricted Cash	<u>337,996</u>	Fiduciary Funds	<u>6,515</u>
	<u>\$3,686,211</u>		<u>\$3,686,211</u>

The collateral for public entities' deposits in financial institutions are 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 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 these 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. The pooled collateral is held in the pooled participant's name by Trustmark Bank and Bancorpsouth Bank (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the State Treasurer's name).

The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the pooling method, the potential exists for under collateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Mississippi enforces strict standards of financial stability for each depository that collateralizes under the Statewide Collateral Pool Program.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Deposits- Continued

At September 30, 2014, the City's deposits had a carrying amount of \$3,686,211 and a bank balance of \$3,705,222. Of the bank balance \$254,253 was covered by federal deposit insurance and the remainder were covered by the statewide collateral pool program as discussed above.

The City has designated Trustmark Bank as its official depository.

Investments

Mississippi laws address the investments of surplus money by municipalities and the investment of proceeds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificate of deposits in qualified depositories. The City of Fulton's policy is to advertise for the qualified depository that will offer the highest rate on all its deposits.

The City had no investments as of or during the year ended September 30, 2014.

Interest Rate Risk

The City has no formal investment policy that limits investment maturities as a means of managing its exposure its exposure to fair value losses arising for increasing interest rates. The City had no investments during the year and limited its demand deposits during the year to federal depository insured accounts with Trustmark Bank and BancorpSouth Bank.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the Statewide Collateral Pool Program, 2) bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America. The City has no investment policy that would limit its investment choices.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Custodial Credit Risks

Custodial credit is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize the risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 30, 2014.

Concentration of Credit Risks

The City of Fulton had no investments at September 30, 2014, but had demand deposits with more than 5% of the total in Trustmark Bank. These demand deposits represented approximately 99% of total demand deposits.

NOTE C – PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 of the following year and are due and payable at that time. All unpaid taxes levied January 1 become delinquent February 1. Property taxes for automobiles are collected and remitted to the City of Fulton by Itawamba County, Mississippi.

Appraised values are established by Itawamba County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2013 taxes are collected in December, 2013 and January, 2014. The 2013 taxes are levied to fund the 2013-2014 budget year. The assessed value upon which the 2013 taxes were based was \$28,790,703.

City property tax revenue is recorded in governmental funds as receivables and deferred revenues at the time the tax attaches as an enforceable lien, which includes the 2014 taxes intended to fund the 2014-2015 budget year of \$893,081. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2014 taxes of \$893,081 are also included in deferred revenue and not in current revenues in governmental activities because they are levied to fund the 2014-2015 budget year.

For the year ended September 30, 2014 the City assessed a tax rate of 31 mills.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE D - RECEIVABLES

Receivables at September 30, 2014 for the government's individual major funds, non-major funds, and business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General</u>	<u>Water System</u>	<u>Gas System</u>	<u>Sewer System</u>	<u>Garbage System</u>	<u>Non-Major Funds</u>
Receivables						
Taxes	\$ 818,750	\$ -	\$ -	\$ -	\$ -	\$ 89,648
Sales Tax	248,196	-	-	-	-	9,739
Accounts	-	236,871	138,645	67,605	51,012	-
Police Fines	<u>398,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross Receivable	1,465,145	236,871	138,645	67,605	51,012	99,387
Less: Allowance for						
Uncollectibles	<u>(239,027)</u>	<u>(30,181)</u>	<u>(20,797)</u>	<u>(10,114)</u>	<u>(7,652)</u>	<u>-</u>
Net receivables	<u>\$1,226,118</u>	<u>\$206,690</u>	<u>\$117,848</u>	<u>\$57,491</u>	<u>\$43,360</u>	<u>\$ 99,387</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance September 30, 2013	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2014
Governmental Activities					
Capital assets not depreciated:					
Land	\$ 3,587,464	\$ -	\$ -	\$ -	\$ 3,587,464
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,587,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,587,464</u>
Capital assets being depreciated:					
Building and improvements	5,657,172	120,507	-	-	5,777,679
Automotive and equipment	3,151,692	302,482	-	-	3,454,174
Infrastructure	<u>1,399,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,399,463</u>
Total capital assets being depreciated	10,208,327	422,989	-	-	10,631,316
Less accumulated depreciation	<u>5,455,575</u>	<u>637,526</u>	<u>-</u>	<u>-</u>	<u>6,093,101</u>
Total capital assets being depreciated, net	<u>4,752,752</u>	<u>(214,537)</u>	<u>-</u>	<u>-</u>	<u>4,538,215</u>
Total Governmental Activities					
Capital Assets, Net	<u>\$ 8,340,216</u>	<u>\$ (214,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,125,679</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE E – CAPITAL ASSETS - CONTINUED

	Balance September 30, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2014</u>
Business-Type Activities					
Water System					
Capital assets not depreciated:					
Land	\$ 46,009	\$ -	\$ -	\$ -	\$ 46,009
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>46,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,009</u>
Capital assets being depreciated:					
Building and improvements	5,204	-	-	-	5,204
Automotive and equipment	505,985	-	-	-	505,985
Infrastructure-Systems	14,712,952	9,174	-	-	14,722,126
Total capital assets being depreciated	15,224,141	9,174	-	-	15,233,315
Less accumulated depreciation	<u>7,379,767</u>	<u>368,621</u>	<u>-</u>	<u>-</u>	<u>7,748,388</u>
Total capital assets being depreciated, net	<u>7,844,374</u>	<u>(359,447)</u>	<u>-</u>	<u>-</u>	<u>7,484,927</u>
Total Water System Capital Assets, Net	<u>\$ 7,890,383</u>	<u>\$ (359,447)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,530,936</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE E – CAPITAL ASSETS - CONTINUED

	Balance September 30, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and Other Adjustments</u>	Balance September 30, <u>2014</u>
Business-Type Activities					
Gas System					
Capital assets not being depreciated:					
Land	\$ 47,109	\$ -	\$ -	\$ -	\$ 47,109
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>47,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,109</u>
Capital assets being depreciated					
Building and improvements	72,668	-	-	-	72,668
Automotive and equipment	271,298	-	-	-	271,298
Infrastructure-Systems	<u>3,162,158</u>	<u>7,841</u>	<u>-</u>	<u>-</u>	<u>3,169,999</u>
Total capital assets being depreciated	3,506,124	7,841	-	-	3,513,965
Less accumulated depreciation	<u>1,543,899</u>	<u>130,954</u>	<u>-</u>	<u>-</u>	<u>1,674,853</u>
Total capital assets being depreciated, net	<u>1,962,225</u>	<u>(123,113)</u>	<u>-</u>	<u>-</u>	<u>1,839,112</u>
Total Gas System					
Capital Assets, Net	<u>\$ 2,009,334</u>	<u>\$ (123,113)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,870,540</u>

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE E – CAPITAL ASSETS - CONTINUED

	Balance September 30, 2013	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, 2014
Business-Type Activities					
Sewer System					
Capital assets not being depreciated:					
Land	\$ 41,830	\$ -	\$ -	\$ -	\$ 41,830
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>41,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,830</u>
Capital assets being depreciated					
Building and improvements	-	-	-	-	-
Automotive and equipment	309,885	-	-	-	309,885
Infrastructure-Systems	<u>6,162,607</u>	<u>25,558</u>	<u>-</u>	<u>-</u>	<u>6,188,165</u>
Total capital assets being depreciated	6,472,492	25,558	-	-	6,498,050
Less accumulated depreciation	<u>3,036,333</u>	<u>180,287</u>	<u>-</u>	<u>-</u>	<u>3,216,620</u>
Total capital assets being depreciated, net	<u>3,436,159</u>	<u>(154,729)</u>	<u>-</u>	<u>-</u>	<u>3,281,430</u>
Total Sewer System					
Capital Assets, Net	<u>\$ 3,477,989</u>	<u>\$ (154,729)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,323,260</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE E – CAPITAL ASSETS - CONTINUED

	Balance September 30, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and Other Adjustments</u>	Balance September 30, <u>2014</u>
Business-Type Activities					
Garbage System					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	-	-	-	-	-
Capital assets being depreciated					
Building and improvements	-	-	-	-	-
Automotive and equipment	5,083	-	-	-	5,083
Infrastructure-Systems	-	-	-	-	-
Total capital assets being depreciated	5,083	-	-	-	5,083
Less accumulated depreciation	5,083	-	-	-	5,083
Total capital assets being depreciated, net	-	-	-	-	-
Total Garbage System Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -
Total Business-Type Capital Assets, Net	<u>\$ 13,377,706</u>	<u>\$ (637,289)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,724,736</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE E – CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$296,218
Public safety	36,802
Public works	216,418
Fire Department	43,382
Emergency Management	4,189
Library	14,846
Park and Recreation	22,793
Animal Control	<u>2,878</u>

Total Depreciation Expense – Government Activities **\$637,526**

Business – Type Activities

Natural gas	\$130,954
Water	368,621
Sewer	180,287
Garbage	<u>-</u>

Total Depreciation Expense – Business Type Activities **\$ 679,862**

NOTE F - DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan

Plan Description. City of Fulton, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing the Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1- 800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and City of Fulton, Mississippi 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 Fulton, Mississippi contributions to PERS for the years ending September 30, 2014, 2013, and 2012 were \$152,912, \$160,066, and \$157,405, respectively, equal to the required contributions for each year.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE G – LONG – TERM DEBT

General Long-Term Debt

Notes, General and limited obligation debt consists of debt issued that is backed by the full faith and credit of the City.

Revenue bonds consist of debt issued by the Water and Sewer System. The gross revenues of the Water System Fund and the Sewer System Fund, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the Reserve Funds.

The capital lease obligation payable consist of debt entered into by the City that is collateralized by various energy saving fixtures and utility meters.

General long-term debt balance and transactions for the year ended September 30, 2014 are as follows:

Governmental Activities

	Final Maturity Date	Interest Rate	Beginning Balance 9/30/2013	Additions	Repayments	Ending Balance 9/30/2014	Due Within One Year
Note-Three Rivers Planning & Dev. District	9/1/2023	3%-4%	\$ 354,162	\$ -	\$ 31,242	\$ 322,920	\$ 32,740
Note-Three Rivers Planning & Dev. District	9/1/2023	3%-4%	354,161	-	31,242	322,920	32,740
Note-Mississippi Dev. Authority	7/1/2031	3%	2,112,043	-	99,956	2,012,087	93,718
Limited Obligation Bonds	10/1/2018	4.2%-6%	235,000	-	45,000	190,000	45,000
Comp Absences			<u>97,376</u>	<u>-</u>	<u>2,059</u>	<u>95,317</u>	<u>9,532</u>
Total Governmental Activities			<u>\$ 3,498,762</u>	<u>\$ -</u>	<u>\$ 209,499</u>	<u>\$ 2,943,244</u>	<u>\$ 213,730</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE G – LONG – TERM DEBT – CONTINUED

Governmental Activities – Continued

The principal and interest requirements of the above general obligation debt and industry obligations payable at September 30, 2014 are as follows:

<u>Years Ending</u> <u>September 30</u>	<u>Limited Obligation Bonds</u>			<u>Industrial Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	45,000	12,060	57,060	159,198	78,466	237,664
2016	45,000	11,500	56,500	164,006	73,657	237,663
2017	50,000	6,755	56,755	169,058	53,563	222,621
2018	50,000	4,265	54,265	174,216	63,447	237,663
2019	-	-	-	179,537	58,126	237,663
2020-2024	-	-	-	876,254	206,408	1,082,662
2025-2029	-	-	-	671,943	93,401	765,344
2030-2031	-	-	-	263,715	19,390	283,105
Total	<u>\$190,000</u>	<u>\$ 34,580</u>	<u>\$ 224,580</u>	<u>\$ 2,657,927</u>	<u>\$ 646,458</u>	<u>\$ 3,304,385</u>

Specific years for payment of compensated absences are not determinable and are not included in the table above.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE G – LONG – TERM DEBT – CONTINUED

<u>Business-Type-Activities</u>	Final	Interest	Beginning			Ending	Amount
	Maturity	Rate	Balance	Additions	Repayments	Balance	Due
	<u>Date</u>	<u>Rate</u>	<u>10/1/2013</u>			<u>9/30/2014</u>	<u>Within</u>
							<u>One</u>
							<u>Year</u>
1. Water System							
Series 2013 Revenue Bonds	01/01/23	2.93%	\$ 2,468,000	\$ -	\$ 100,000	\$ 2,368,000	\$104,000
Siemens Lease Obligation							
Payable-Utility Meters	09/30/28	2.91%	2,022,954	-	57,499	1,965,455	138,153
Special Revenue Bonds	06/01/14	6%	30,000	-	30,000	-	-
Compensated Absenses			12,084	-	4,958	7,126	-
Total Water System			<u>\$ 4,533,038</u>	<u>\$ -</u>	<u>\$ 192,457</u>	<u>\$ 4,340,581</u>	<u>\$242,153</u>
2. Sewer System							
Series 2013 Revenue Bonds	01/01/23	2.93%	\$ 617,000	\$ -	\$ 25,000	\$ 592,000	\$ 26,000
Mississippi Development Note	06/01/32	3%	797,925	-	27,544	770,381	33,291
Compensated Absenses			5,139	-	676	4,463	-
Total Sewer System			<u>\$ 1,420,064</u>	<u>\$ -</u>	<u>\$ 53,220</u>	<u>\$ 1,366,844</u>	<u>\$ 59,291</u>
3. Gas System							
Siemens Lease Obligation							
Payable-Utility Meters	09/30/28	2.91%	\$ 1,188,085	\$ -	\$ 33,769	1,154,316	\$ 81,137
Compensated Absenses			29,203	-	8,356	20,847	-
Total Gas System			<u>\$ 1,217,288</u>	<u>\$ -</u>	<u>\$ 42,125</u>	<u>\$ 1,175,163</u>	<u>\$ 81,137</u>
Total Business-Type Activities			<u>\$ 7,170,390</u>	<u>\$ -</u>	<u>\$ 287,802</u>	<u>\$ 6,882,588</u>	<u>\$382,581</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE G – LONG – TERM DEBT - CONTINUED

Business – Type Activities Continued:

The principal and interest requirements of the above revenue bonds, notes payable and lease obligations at September 30, 2014 are as follows:

Years Ending September 30,	Notes Payable			Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 33,291	\$ 22,592	\$ 55,883	\$ 219,290	\$ 88,095	\$ 307,385
2106	34,304	21,580	55,884	186,362	82,448	268,810
2017	35,347	20,536	55,883	191,849	76,961	268,810
2018	36,422	19,462	55,884	197,498	71,312	268,810
2019	37,530	18,354	55,884	203,313	65,497	268,810
2020-2024	205,485	73,935	279,420	1,109,958	234,092	1,344,050
2025-2029	238,693	40,724	279,417	1,011,501	63,734	1,075,235
2030-2033	149,309	4,378	153,687	-	-	-
Total	\$ 770,381	\$ 221,561	\$ 991,942	\$3,119,771	\$ 682,139	\$3,801,910

Years Ending September 30,	Revenue Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 130,000	\$ 38,200	\$ 168,200	\$ 382,581	\$ 148,887	\$ 531,468
2106	135,000	36,900	171,900	355,666	140,928	496,594
2017	135,000	35,550	170,550	362,196	133,047	495,243
2018	135,000	34,200	169,200	368,920	124,974	493,894
2019	135,000	32,850	167,850	375,843	116,701	492,544
2020-2024	755,000	253,438	1,008,438	2,070,443	561,465	2,631,908
2025-2029	850,000	162,701	1,012,701	2,100,194	267,159	2,367,353
2030-2033	685,000	44,883	729,883	834,309	49,261	883,570
Total	\$ 2,960,000	\$ 638,722	\$ 3,598,722	\$6,850,152	\$ 1,542,422	\$8,392,574

Specific years for payment of compensated absences are not determinable and are not included in the table above. All Enterprise Fund debt is paid by the fund incurring the debt.

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE H – CAPITAL LEASES

The City has entered into a capital lease agreement for capital assets under which they will become the property of the City when all terms of the lease agreement are met. The following schedule present the future minimum lease payments as of September 30, 2014.

	Gas System <u>Meters</u>	Water System <u>Meters</u>	<u>Total</u>
Minimum lease payments			
Years Ending September 30,			
2015	\$ 113,732	\$ 193,653	\$ 307,385
2016	99,460	169,350	268,810
2017	99,460	169,350	268,810
2018	99,460	169,350	268,810
2019	99,460	169,350	268,810
2020-2024	497,299	846,752	1,344,050
2025-2028	<u>397,837</u>	<u>677,398</u>	<u>1,075,235</u>
	1,406,707	2,395,203	3,801,910
Less: amounts representing interest	<u>(252,391)</u>	<u>(429,748)</u>	<u>(682,139)</u>
Present value of minimum lease payments	<u>\$ 1,154,315</u>	<u>\$ 1,965,455</u>	<u>\$ 3,119,771</u>

See Note G for interest rate used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under the capital lease are as follows:

	Gas System <u>Meters</u>	Water System <u>Meters</u>	<u>Total</u>
Capital asset discounted cost	\$ 1,176,442	\$ 2,004,012	\$ 3,180,454
Less: accumulated amortization	<u>(78,668)</u>	<u>(134,006)</u>	<u>(212,674)</u>
Total	<u>\$ 1,097,774</u>	<u>\$ 1,870,006</u>	<u>\$ 2,967,780</u>

Amortization of leased equipment under capital assets is included with depreciation.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE I – INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2014 were \$ -0-.

Transfers between funds during the year were as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
Major Governmental Funds:		
General Fund	\$ <u>25,366</u>	\$ <u>98,109</u>
Total Major Governmental Fund	<u>25,366</u>	<u>98,109</u>
Nonmajor Governmental Funds:		
Park & Recreation	50,000	-
Fire Protection	<u>30,810</u>	<u>21,076</u>
Total Special Revenue Funds	<u>80,810</u>	<u>21,076</u>
Debt Service Funds	<u>-</u>	<u>7,824</u>
Total Debt Service Funds	<u>-</u>	<u>7,824</u>
Total Nonmajor Governmental Fund	<u>80,810</u>	<u>28,900</u>
Major Enterprise Funds:		
Water System Fund	34,427	30,788
Sewer System Fund	-	-
Gas System Fund	<u>-</u>	<u>-</u>
Total Major Enterprise Funds	<u>34,427</u>	<u>30,788</u>
Nonmajor Enterprise Funds		
Waste Collection Fund	<u>17,300</u>	<u>-</u>
Total Nonmajor Enterprise Funds	<u>17,300</u>	<u>-</u>
Fiduciary Fund	<u>-</u>	<u>107</u>
Total all funds	<u>\$157,904</u>	<u>\$157,904</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE J – INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

Major Governmental Funds

General Fund

State of Miss - Municipal Aid & Gas Tax	\$ 10,672
Homestead exemption	57,244
In Lieu of Taxes	102,031
State of Miss – Civil Defense	32,127
Itawamba County	235,870
TVA Franchise Tax	<u>85,462</u>
Total Governmental Funds	\$ <u>512,734</u>

NOTE K – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Certain segmented information for the individual Enterprise Funds is included on the Proprietary Funds – Statement of Assets, Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets, and the Proprietary Funds – Statement of Cash Flows. The capital asset activity for each individual Enterprise Fund is included in Note E. The Schedule of Changes in Long-Term Debt for each individual Enterprise Fund is included in Note G.

The individual Enterprise Funds have the following types of goods or services:

Gas System – Provide natural gas to its citizens and surrounding areas.

Water and Sewer System – Provide water and sewer services to its citizens.

Waste Collection System – Provide waste collection services to its citizens.

The individual Enterprise Funds have the following net working capital (current assets less current liabilities) at September 30, 2014:

Water	\$ 876,984
Gas System	665,341
Sewer System	90,888
Waste Collection System	<u>118,083</u>
Total	\$ <u>1,751,296</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE K – SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

Enterprise Funds operate in the City of Fulton, Mississippi geographic area. Their revenues are subject to the economic conditions of Fulton, Mississippi. At September 30, 2014, the Gas System Fund had extended credit to customers totaling \$138,645. Gas System Fund receivables are secured by customer deposits totaling \$53,154. The balance of the receivables is unsecured. At September 30, 2014, the Water System Fund had extended credit to customers totaling \$236,871. Water System Fund receivables are secured by customer deposits totaling \$60,678. The balances of the receivables are unsecured. At September 30, 2014, the Sewer System had extended credit to customers totaling \$67,605. The receivables are not secured. At September 30, 2014, the Non-major Enterprise Fund had extended credit to customers totaling \$51,012. The Non-major Enterprise receivables are not secured.

Gas System Fund accounts payable – operations consist of \$5,156 for operations. The Water System Fund accounts payable – operations consist of \$4,401 for operations. The Sewer System Fund Accounts payable operation consists of \$37,152. The Non-major Enterprise fund accounts payable were \$45 at September 30, 2014.

NOTE L – RELATED PARTY TRANSACTIONS

The City had no material related party transactions during the current year.

NOTE M - COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES

Grant Audit

The City receives federal and state grants for specific purposes that are subject and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of City management, such disallowances, if any will not be significant.

NOTE N – RISK MANAGEMENT CLAIMS AND JUDGEMENTS

The City is a member of the Mississippi Municipal Service Company which provides general liability and worker's compensation. The City pays insurance premiums based on experience ratios. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

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**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE O – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Fulton, Mississippi evaluated the activity of the city through July 10, 2015, and determined that there was no subsequent event that required disclosure in the notes to the financial statements.

NOTE P – PSOT EMPLOYMENT BENEFITS AND 125 CAFETERIA PAN

Other Postemployment Benefits

The City does not have any retired employees that participate in post-employment benefits.

125 Cafeteria Plan

Section 125 Cafeteria reduction plan expense for the employees included in the accompanying financial statements totaled \$ 36,812.

NOTE Q – NET POSITION

The Government-wide statement of net position reports \$836,351 of restricted net position, of which \$0 is restricted by enabling legislation.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

NOTE R - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES

The following table summarizes the effects of the implementation of GASB No. 65 in the government-wide statement of net position as of September 30, 2013:

	AS PREVIOUSLY REPORTED 09/30/13	ADJUSTMENT WRITE-OFF OF BOND ISSUE COSTS	AS ADJUSTED 09/30/13
Total Assets	<u>\$ 27,460,547</u>	<u>\$ -</u>	<u>\$ 27,460,547</u>
Deferred Outflows of Resources	<u>107,267</u>	<u>(107,267)</u>	<u>-</u>
Total Liabilities	<u>10,663,912</u>	<u>-</u>	<u>10,663,912</u>
Deferred Inflows of Resources	<u>826,447</u>	<u>-</u>	<u>826,447</u>
Net Position:			
Net Investment in Capital Assets	11,538,592	-	11,538,592
Restricted	872,689	-	872,689
Unrestricted	<u>3,666,171</u>	<u>(107,267)</u>	<u>3,558,904</u>
Total Net Position	<u>\$ 16,077,452</u>	<u>\$ (107,267)</u>	<u>\$ 15,970,185</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE R - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES-CONTINUED

The following table summarizes the effects of the implementation of GASB No. 65 in the government-wide statement of activities as of September 30, 2013:

	<u>AS PREVIOUSLY REPORTED 09/30/13</u>	<u>ADJUSTMENT WRITE-OFF OF BOND ISSUE COSTS</u>	<u>AS ADJUSTED 09/30/13</u>
Total Governmental			
Expenses	\$ 3,703,930	\$ -	\$ 3,703,930
Total Governmental			
Revenues	<u>159,758</u>	<u>-</u>	<u>159,758</u>
Total Governmental Activities	<u>(3,544,172)</u>	<u>-</u>	<u>(3,544,172)</u>
Total Business-type Expenses	3,742,810	107,267	3,850,077
Total Business-type Revenues	<u>3,362,144</u>	<u>-</u>	<u>3,362,144</u>
Total Business-type Activities	<u>(380,666)</u>	<u>(107,267)</u>	<u>(487,933)</u>
Total General Revenues and Transfers			
Governmental	3,166,990	-	3,166,990
Business-type	<u>27,622</u>	<u>-</u>	<u>27,622</u>
Changes in Net Position	<u>(730,226)</u>	<u>(107,267)</u>	<u>(837,493)</u>
Net Position Beginning	<u>16,807,678</u>	<u>-</u>	<u>16,807,678</u>
Net Position Ending	<u>\$ 16,077,452</u>	<u>\$ (107,267)</u>	<u>\$ 15,970,185</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE R - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES-CONTINUE

The following table summarizes the effects of the implementation of GASB No. 65 in the Proprietary statement of net position as of September 30, 2013 for the business-type activities:

	AS PREVIOUSLY REPORTED <u>09/30/13</u>	ADJUSTMENT <u>WRITE-OFF</u> OF BOND ISSUE COSTS	AS ADJUSTED <u>09/30/13</u>
Total Assets	\$ 15,616,040	\$ -	\$ 15,616,040
Deferred Outflows of Resources	<u>107,264</u>	<u>(107,264)</u>	<u>-</u>
Total Liabilities	<u>7,459,361</u>	<u>-</u>	<u>7,459,361</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Net Investment in Capital Assets	6,253,742	-	6,253,742
Restricted	220,525	-	220,525
Unrestricted	<u>1,789,676</u>	<u>(107,267)</u>	<u>1,682,409</u>
Total Net Position	<u>\$ 8,263,943</u>	<u>\$ (107,267)</u>	<u>\$ 8,156,676</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

NOTE R - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES-CONTINUED

The following table summarizes the effects of the implementation of GASB No. 65 in the Proprietary fund statement of revenues, expenditures and changes in net position as of September 30, 2013:

	AS PREVIOUSLY REPORTED 09/30/13	ADJUSTMENTS WRITE-OFF OF BOND ISSUE COSTS	AS ADJUSTED 09/30/13
Total Operating Revenues	\$ 3,362,144	\$ -	\$ 3,362,144
Total Operating Expenses	<u>3,512,843</u>	<u>-</u>	<u>3,512,843</u>
Total Operating Income(Loss)	<u>(150,699)</u>	<u>-</u>	<u>(150,699)</u>
Total Non-operating Revenues and Expenses	<u>(227,359)</u>	<u>(107,267)</u>	<u>(334,626)</u>
Loss Before Operating Transfers and Contributions	<u>(378,058)</u>	<u>(107,267)</u>	<u>(485,325)</u>
Operating Transfers In	101,520	-	101,520
Operating Transfers Out	<u>(76,506)</u>	<u>-</u>	<u>(76,506)</u>
Changes in Net Position	<u>(353,044)</u>	<u>(107,267)</u>	<u>(460,311)</u>
Net Position Beginning	<u>8,616,987</u>	<u>-</u>	<u>8,616,987</u>
Net Position Ending	<u>\$ 8,263,943</u>	<u>\$ (107,267)</u>	<u>\$ 8,156,676</u>

NOTE S - FUTURE ACCOUNTING PRONOUNCEMENTS

The City will be adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* during its next fiscal year. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The adoption of GASB Statement No. 68 could have a material effect on the City's September 30, 2015 basic financial statements as the related liability is required to be presented on the Statement of Net Position.

CITY OF FULTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS	
REVENUES					
Ad Valorem Taxes	\$ 913,000	\$ 913,000	\$ 907,312	\$ (3,681)	\$ (9,369)
Interest & Penalties	5,200	5,200	4,933	-	(267)
Printer Fees	300	300	270	-	(30)
Privilege Licenses	11,000	11,000	10,774	-	(226)
Municipal Revolving	10,600	10,600	10,672	-	72
Building Permits	2,700	2,700	1,134	-	(1,566)
Grant & Loans	-	5,200	5,217	-	17
TVA In Lieu of Taxes	125,000	125,000	102,031	-	(22,969)
City Sales Tax	1,466,000	1,466,000	1,460,308	(5,283)	(10,975)
Civil Defense	30,000	30,000	32,127	-	2,127
Itawamba County	165,000	165,000	134,168	2,074	(28,758)
Court Revenue	98,000	98,000	160,769	(11,577)	51,192
Interest	4,000	4,000	1,166	-	(2,834)
Rent	500	500	426	-	(74)
Other	3,300	5,000	19,605	-	14,605
Sale of Equipment/Land	-	10,700	13,781	-	3,081
TVA Franchise Tax	89,500	89,500	85,462	-	(4,038)
Total Revenues	\$ 2,924,100	\$ 2,941,700	\$ 2,950,155	\$ (18,467)	\$ (10,012)

CITY OF FULTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED		ACTUAL		ACTUAL AMOUNTS		VARIANCE WITH	
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS	ACTUAL ON BUDGETARY TOTAL	FINAL BUDGET POSITIVE (NEGATIVE)		
EXPENDITURES								
Finance and Administration								
Personnel Services	\$ 297,200	\$ 297,200	274,144	\$ -	\$ 274,144	\$ 23,056		
Supplies	26,000	34,000	32,822	-	32,822	1,178		
Other Services and Charges	230,600	230,600	269,606	(60,386)	209,220	21,380		
Capital Outlay	161,300	161,300	35,742	-	35,742	125,558		
Total	715,100	723,100	612,314	(60,386)	551,928	171,172		
Police								
Personnel Services	660,500	665,200	661,614	-	661,614	3,586		
Supplies	73,500	73,500	62,523	-	62,523	10,977		
Other Services and Charges	37,600	37,600	27,816	(25)	27,791	9,809		
Capital Outlay	36,000	36,000	39,667	-	39,667	(3,667)		
Total	807,600	812,300	791,620	(25)	791,595	20,705		
Fire								
Personnel Services	184,400	184,605	187,107	-	187,107	(2,502)		
Supplies	28,800	35,800	33,542	-	33,542	2,258		
Other Services and Charges	24,000	24,000	23,824	-	23,824	176		
Capital Outlay	7,500	7,500	3,943	-	3,943	3,557		
Total	\$ 244,700	\$ 251,905	248,416	\$ -	\$ 248,416	\$ 3,489		

CITY OF FULTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED		ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS	ACTUAL ON BUDGETARY TOTAL	
EXPENDITURES - continued						
Animal Control						
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies	10,600	12,600	10,793	-	10,793	1,807
Other Services and Charges	-	-	-	-	-	-
Capital Outlay	2,210	2,210	3,298	-	3,298	(1,088)
Total	12,810	14,810	14,091	-	14,091	719
Emergency Management						
Personnel Services	57,250	57,250	57,251	-	57,251	(1)
Supplies	9,900	9,900	7,495	-	7,495	2,405
Other Services and Charges	14,700	14,700	8,944	-	8,944	5,756
Capital Outlay	-	5,400	5,346	-	5,346	54
Total	81,850	87,250	79,036	-	79,036	8,214
Street Department						
Personnel Services	533,750	537,150	544,366	-	544,366	(7,216)
Supplies	303,000	303,000	165,859	-	165,859	137,141
Other Services and Charges	205,300	205,300	175,880	250	176,130	29,170
Capital Outlay	100,000	207,000	206,114	-	206,114	886
Total	1,142,050	1,252,450	1,092,219	250	1,092,469	159,981
National Guard Armory						
Other Services and Charges	1,500	1,500	1,500	-	1,500	-
Total	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	\$ 1,500	\$ -

CITY OF FULTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS		ACTUAL ON BUDGETARY TOTAL
EXPENDITURES - continued						
Library & Grammar School	\$ 141,610	\$ 174,610	\$ 120,420	\$ 46,754	\$ 167,174	\$ 7,436
Other Services and Charges						
Total	141,610	174,610	120,420	46,754	167,174	7,436
Court Fund						
Other Services and Charges	64,000	64,000	71,994	-	71,994	(7,994)
Total	64,000	64,000	71,994	-	71,994	(7,994)
Total Expenditures	3,211,220	3,381,925	3,031,610	(13,407)	3,018,203	363,722
Excess Revenues						
Over (Under) Expenditures	(287,120)	(440,225)	(81,455)	(5,060)	(86,515)	(353,710)
Other Financing Sources (Uses):						
Notes	-	-	-	-	-	-
Transfer In	62,590	62,590	25,366	-	25,366	37,224
Transfer (Out)	(140,000)	(140,000)	(98,109)	-	(98,109)	(41,891)
Total Other Financing Sources (Uses)	(77,410)	(77,410)	(72,743)	-	(72,743)	(4,667)
Non-Financing Sources						
Donations	-	-	-	-	-	-
Total Non-Financing Sources	-	-	-	-	-	-
Excess of Revenues & Other Sources						
Over (Under) Expenditures & Other Uses	(364,530)	(517,635)	(154,198)	(5,060)	(159,258)	(358,377)
Fund Balance - October 1, 2013	(880,230)	756,934	1,455,383	-	2,035,041	(558,074)
Fund Balance - September 30, 2014	\$ (1,244,760)	\$ 239,299	\$ 1,301,185	\$ (5,060)	\$ 1,296,125	\$ (1,056,826)

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

BUDGETARY INFORMATION

NOTE A: A City is legally subject to the budgetary control requirements of the State of Mississippi. The City follows the following procedures in establishing the budgetary comparison schedule:

- A. Prior to September 1, the City Clerk submits to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The State of Mississippi requires at a minimum expenditures be adopted in four categories (personnel services, supplies, other services and charges, and capital outlays).
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to September 15, the budget is legally enacted through passage of an ordinance.
- D. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
- E. The budget must be amended when necessary.
- F. Debt cannot be entered into unless permitted by law.
- G. Expenditures, except for capital outlays, cannot exceed budget appropriations.
- H. Expenditures cannot be made unless authorized in the budget.
- I. Appropriations lapse at the end of each fiscal year.

NOTE B: Budgets are adopted on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires the budgetary comparison schedule be prepared according to budgetary laws which is the modified cash basis (GAAP).

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

BUDGETARY INFORMATION - CONTINUED

NOTE C: The following provides details for General Fund adjustments to budgetary basis from actual:

Revenue	
Deferred revenues	\$ (10,182)
Receivables	<u>(8,285)</u>
Total	<u>(18,467)</u>
Expenditures	
Accounts payable paid after 30 day	-
Prepaid expenses	2,366
Reclassification for Bad Debt Allowance-Court Fines	(62,527)
Reclassification Insurance Proceeds for Library Charges	<u>46,754</u>
Total	<u>(13,407)</u>
Net difference in budgetary basis and actual	<u>\$ (5,060)</u>

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CITY OF FULTON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	PARK & RECREATION	DEBT SERVICE	TOURISM TAX	FIRE PROTECTION	GAITHER HOUSE	DRUG	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 251,220	\$ 521,957	\$ 48,409	\$ 31,958	\$ 17	4,253	\$ 857,814
Other Accounts Receivable	-	-	-	380	-	-	380
Accounts Receivable-							
Taxes	58,175	31,473	9,739	-	-	-	99,387
Total Assets	<u>309,395</u>	<u>553,430</u>	<u>58,148</u>	<u>32,338</u>	<u>17</u>	<u>4,253</u>	<u>957,581</u>
LIABILITIES							
Accrued Expenses	-	-	-	-	-	-	-
Accounts Payable	1,599	-	-	256	-	-	1,855
Total Liabilities	<u>1,599</u>	<u>-</u>	<u>-</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>1,855</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	<u>55,573</u>	<u>31,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,046</u>
Total Deferred Inflows of Resources	<u>55,573</u>	<u>31,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,046</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	521,957	58,148	32,082	17	4,253	616,457
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	252,223	-	-	-	-	-	252,223
Total Fund Balance	<u>252,223</u>	<u>521,957</u>	<u>58,148</u>	<u>32,082</u>	<u>17</u>	<u>4,253</u>	<u>868,680</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 309,395</u>	<u>\$ 553,430</u>	<u>\$ 58,148</u>	<u>\$ 32,338</u>	<u>\$ 17</u>	<u>\$ 4,253</u>	<u>\$ 957,581</u>

CITY OF FULTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>PARK & RECREATION</u>	<u>DEBT SERVICE</u>	<u>TOURISM TAX</u>	<u>FIRE PROTECTION</u>	<u>GAITHER HOUSE</u>	<u>DRUG</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUE							
Ad Valorem Taxes	\$ 61,029	\$ 31,522	\$ -	\$ -	\$ -	\$ -	92,551
Sales Taxes	-	-	58,636	-	-	-	58,636
Program Fees & Dues	24,185	-	-	-	-	-	24,185
Concession	49,863	-	-	-	-	-	49,863
Other	996	-	-	47,496	33,707	5,073	87,272
Rent	-	138,653	-	-	-	-	138,653
Interest Income	200	-	-	-	-	-	200
Total Revenue	<u>136,273</u>	<u>170,175</u>	<u>58,636</u>	<u>47,496</u>	<u>33,707</u>	<u>5,073</u>	<u>451,360</u>
EXPENDITURES							
Personal Service	168,752	-	-	-	-	-	168,752
Supplies	26,218	-	-	-	-	-	26,218
Other Cost	52,416	-	24,390	2,586	-	2,999	82,391
Capital Improvements	7,388	-	-	46,700	33,707	-	87,795
Principal Retirement	-	197,345	-	-	-	-	197,345
Interest and Fiscal Charges	-	98,851	-	-	-	-	98,851
Total Expenditures	<u>254,774</u>	<u>296,196</u>	<u>24,390</u>	<u>49,286</u>	<u>33,707</u>	<u>2,999</u>	<u>661,352</u>
Excess (Deficit) of Revenues and Over (Under)	(118,501)	(126,021)	34,246	(1,790)	-	2,074	(209,992)
Other Financing							
Transfers In (Out)	50,000	(7,824)	-	9,734	-	-	55,549
Total Other Financing	<u>50,000</u>	<u>(7,824)</u>	<u>-</u>	<u>9,734</u>	<u>-</u>	<u>-</u>	<u>55,549</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditure	(68,501)	(130,206)	34,246	7,944	-	2,074	(154,443)
Fund Balance							
Fund Balance - 10/1/13	320,724	652,163	23,902	24,138	17	2,179	1,023,123
Fund Balance - 9/30/14	<u>\$ 252,223</u>	<u>\$ 521,957</u>	<u>\$ 58,148</u>	<u>\$ 32,082</u>	<u>\$ 17</u>	<u>\$ 4,253</u>	<u>\$ 868,680</u>

**CITY OF FULTON, MISSISSIPPI
SCHEDULE OF SURETY BONDS
SEPTEMBER 30, 2014**

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Lynette Weatherford	Mayor	Western Surety	\$100,000
Lisa Russell	City Clerk	Western Surety	\$200,000
Tim Parmer	Deputy Clerk	Western Surety	\$ 25,000
Ceburn Gray	Deputy Clerk	Western Surety	\$ 25,000
Betty Pearson	Deputy Clerk	Western Surety	\$ 25,000
Orlando Gates	Police Officer	Western Surety	\$ 25,000
Mitch Nabors	Police Officer	Western Surety	\$ 25,000
Reggie Johnson	Police Chief	Western Surety	\$ 50,000
Brad Rodgers	Police Officer	Western Surety	\$ 25,000
Brian Chandler	Police Officer	Western Surety	\$ 25,000
David Bryson	Police Officer	Western Surety	\$ 25,000
Anthony Gabbell	Police Officer	Western Surety	\$ 25,000
Brandon Williamson	Police Officer	Western Surety	\$ 25,000
Joel Hill	Police Officer	Western Surety	\$ 25,000
Chet White	Police Officer	Western Surety	\$ 25,000
Hayward Wilson	Aldersperson	Western Surety	\$ 50,000
Michael Nanney	Aldersperson	Western Surety	\$ 50,000
Joey Steele	Aldersperson	Western Surety	\$ 50,000
Barry Childers	Aldersperson	Western Surety	\$ 50,000
Elizabeth Beasley	Aldersperson	Western Surety	\$ 50,000

MIKE DOZIER

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

Honorable Mayor and Board of Alderpersons
The City of Fulton
Fulton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of The City of Fulton, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fulton, Mississippi's basic financial statements, and have issued our report thereon dated July 10, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are labeled as items 2014-1, 2014-3, and 2014-4.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

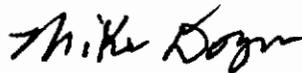
As part of obtaining reasonable assurance about whether the City of Fulton, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2014-2.

City of Fulton, Mississippi's Response to Findings

City of Fulton, Mississippi response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Fulton, 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.



Mike Dozier
Certified Public Accountant, P.C.

July 10, 2015

MIKE DOZIER

Certified Public Accountant, P.C.

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderpersons+
City of Fulton, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fulton, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the City of Fulton, Mississippi's basic financial statements and have issued our report thereon dated July 10, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

The results of those procedures and our audit of the financial statements disclosed material instances of noncompliance with state laws and regulations and which are described in the accompanying schedule of findings and responses as item number 2014-2.

The instances of noncompliance of the prior year have not been corrected by management as discussed in the accompanying schedule of results of prior year findings or otherwise included in the above noted findings and questioned cost.

City of Fulton, Mississippi's Response to Findings

City of Fulton, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Fulton, 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. The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with state laws and regulations, and not to express an opinion on the entity's compliance.



Mike Dozier,
Certified Public Accountant, P.C.

July 10, 2015

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OCT 17 2015

**CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Finding – Financial Statement Audit

Reportable Conditions

2014-1. Segregation of Duties

Condition: The City does not have an adequate segregation of duties among accounting personal and functions.

Criteria: Internal controls should be implemented to require a segregation of duties among accounting personnel and functions.

Effect: The City Clerk maintains the general ledgers, collects cash, writes and signs checks, reconciles bank statements. The City Court Clerk handles court fine billings, receivables and collections. This type of lack of segregation of duties could result in misappropriation of funds that would not be timely discovered.

Cause: The City does not have enough personnel to have adequate segregation of duties.

Recommendation: The City should have a segregation of duties among accounting functions. However, we recognize that the expense of acquiring the additional employees might be prohibitive. The cost benefit of implementing corrective action over this condition may not be justified. The City's management should be aware of this risk from lack of segregation of duties and provide management oversight of the accounting function to the fullest extent possible. The Mayor and Board of Alderman should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: We concur with the recommendation.

2014-2. General Fixed Assets

Condition: The city did not conduct an annual inventory of fixed assets as required by the State of Mississippi audit manual.

Criteria: Internal controls should be in a place that require an annual physical inventory of fixed assets.

Effect: The inventory is necessary to verify the existence, not the condition, of all fixed assets.

CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

2014-2. General Fixed Assets (continued)

Cause: Management did not properly see that an annual physical inventory of fixed assets was performed.

Recommendation: At the close of each fiscal year, each department head should list each item of equipment in their department, including a brief description of the item, and its property number, taken from the actual piece of equipment. The procedures to perform an annual physical inventory of fixed assets are located in the State of Mississippi audit manual. Proper supervision should be established to insure that this is done annually.

Response: We are in the process of performing a physical inventory of fixed assets.

MATERIAL WEAKNESSES

2014-3. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

Condition: Management outsources financial statements and related notes, and supplementary information preparation

Criteria: Part of effective internal control over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Effect: The City must incur the expense of outsourcing the preparation of the financial statements and related notes, and supplementary information.

Cause: As is normal for governments of this type and size, the City's staff and management do not have the required technical expertise to meet the above criteria.

Recommendation: Due to the size of the City and the cost of hiring additional staff, no change is recommended.

Response: We agree with the finding, but feel the City is best served by continuing to outsource the preparation of the financial statements and related notes, and supplementary information. this is less costly than hiring additional staff to perform these tasks.

**CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

MATERIAL WEAKNESS-CONTINUED

2014-4. Police Fine Collection Efforts

Condition: The delinquent police fine receivables are increasing.

Criteria: Effective internal controls include establishing procedures to have someone review delinquent police fines monthly and perform the necessary procedures to collect delinquent police fines.

Effect: The police fines receivables increased by \$45,412 during the year ended September 30, 2014.

Cause: The City did not have anyone reviewing the police fine receivables or instructing someone to enforce the collection of police fines.

Recommendation: The City should designate a person to be responsible for reviewing delinquent police fines and getting the correct court order to enforce collection.

Response: We concur with the recommendation.

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OCT 17 2015**

**CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

2013-1. Segregation of Duties

Condition: The City does not have adequate segregation of duties among accounting personal and functions.

Recommendation: The City should have a segregation of duties among accounting functions. However, we recognize that the expense of acquiring the additional employees might be prohibitive. The cost benefit of implementing corrective action over this condition may not be justified. The City's management should be aware of this risk from lack of segregation of duties and provide management oversight of the accounting function to the fullest extent possible. The Mayor and Board of Alderman should periodically review accounting functions to compensate for a lack of segregation of duties.

Status: This is still a finding in this report. See current year Finding No.2014-1.

**CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

2013-2. General Fixed Assets

Condition: The City did not conduct an annual inventory of fixed assets as required by the State of Mississippi audit manual.

Recommendation: At the close of each fiscal year, each department head should list each item of equipment in their department, including a brief description of the item, and its property number, taken from the actual piece of equipment. The procedures to perform an annual physical inventory of fixed assets are located in the State of Mississippi audit manual. Proper supervision should be established to insure that this is done annually.

Status: This is still a Finding in this report. See current year Finding No. 2014-2.