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**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

December 23, 2016

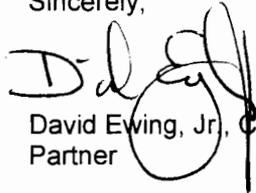
Mr. Stacey E. Pickering
State of Mississippi
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Mr. Pickering:

Enclosed is a copy of the City of Fayette, Mississippi's audited financial for the year ended September 30, 2015.

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

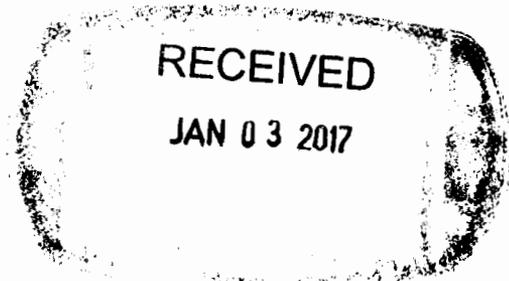
Sincerely,


David Ewing, Jr., CPA
Partner

mfd

Enclosures

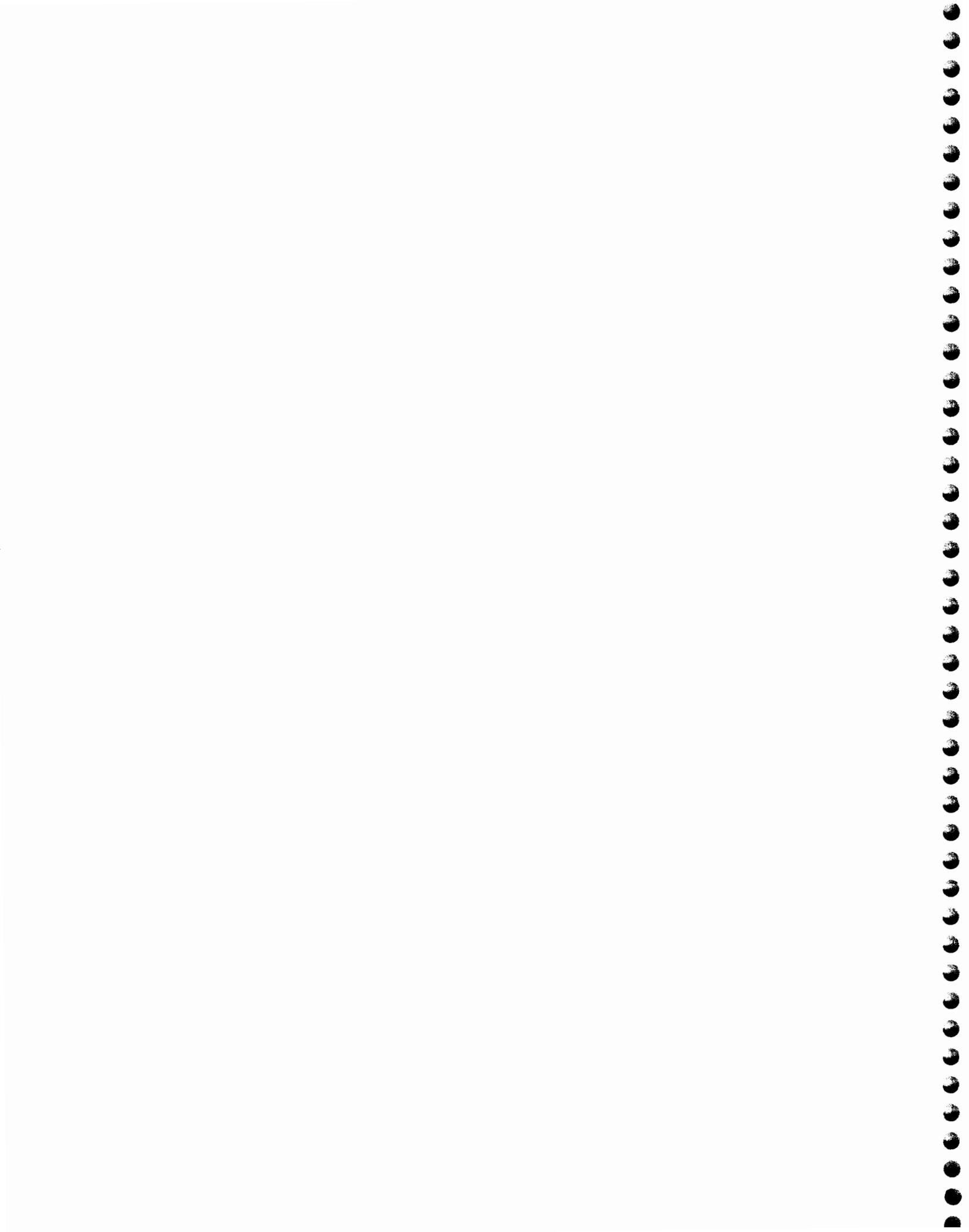
COPY: Ms. Hattie Davis, City Clerk





CITY OF FAYETTE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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CITY OF FAYETTE, MISSISSIPPI
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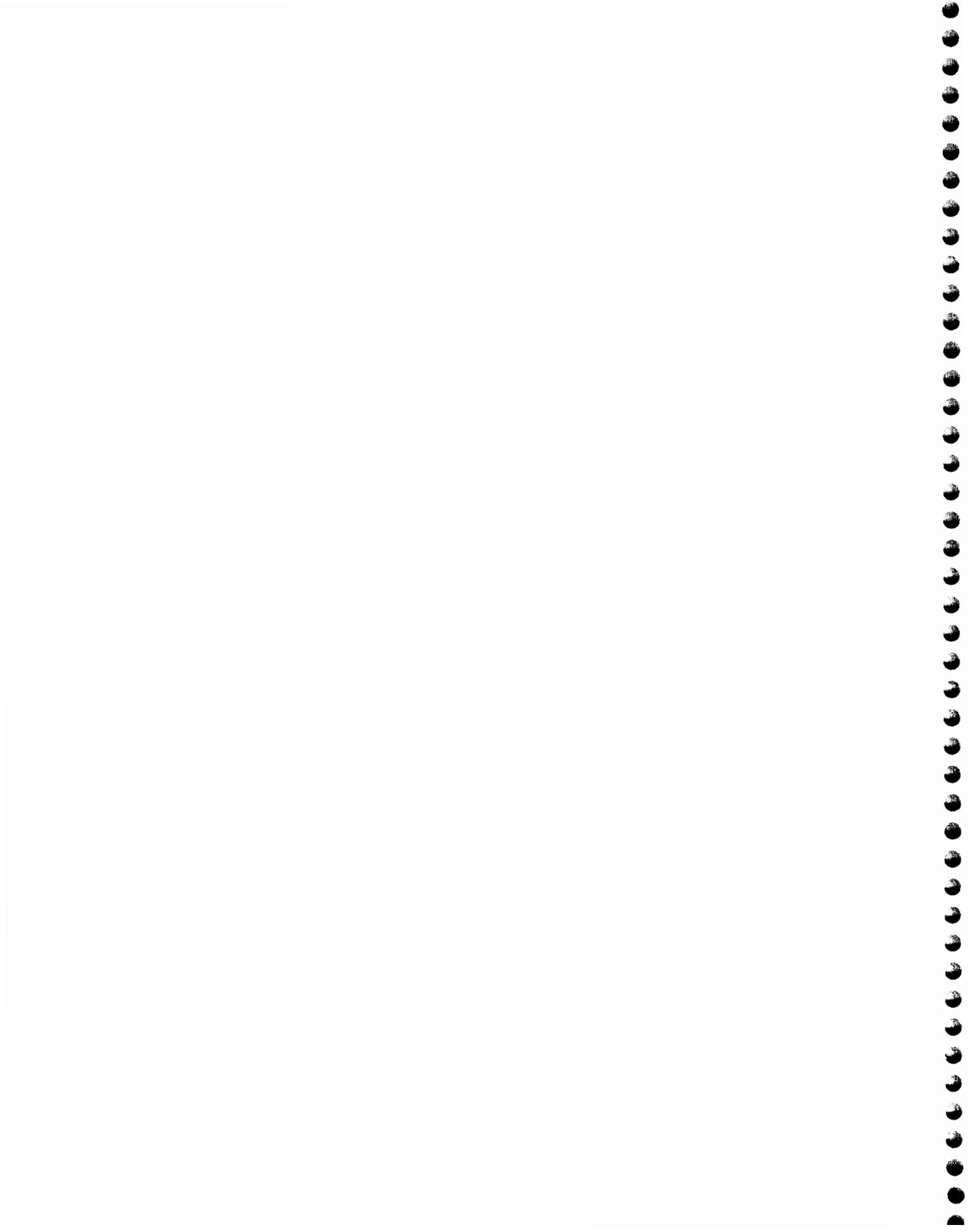
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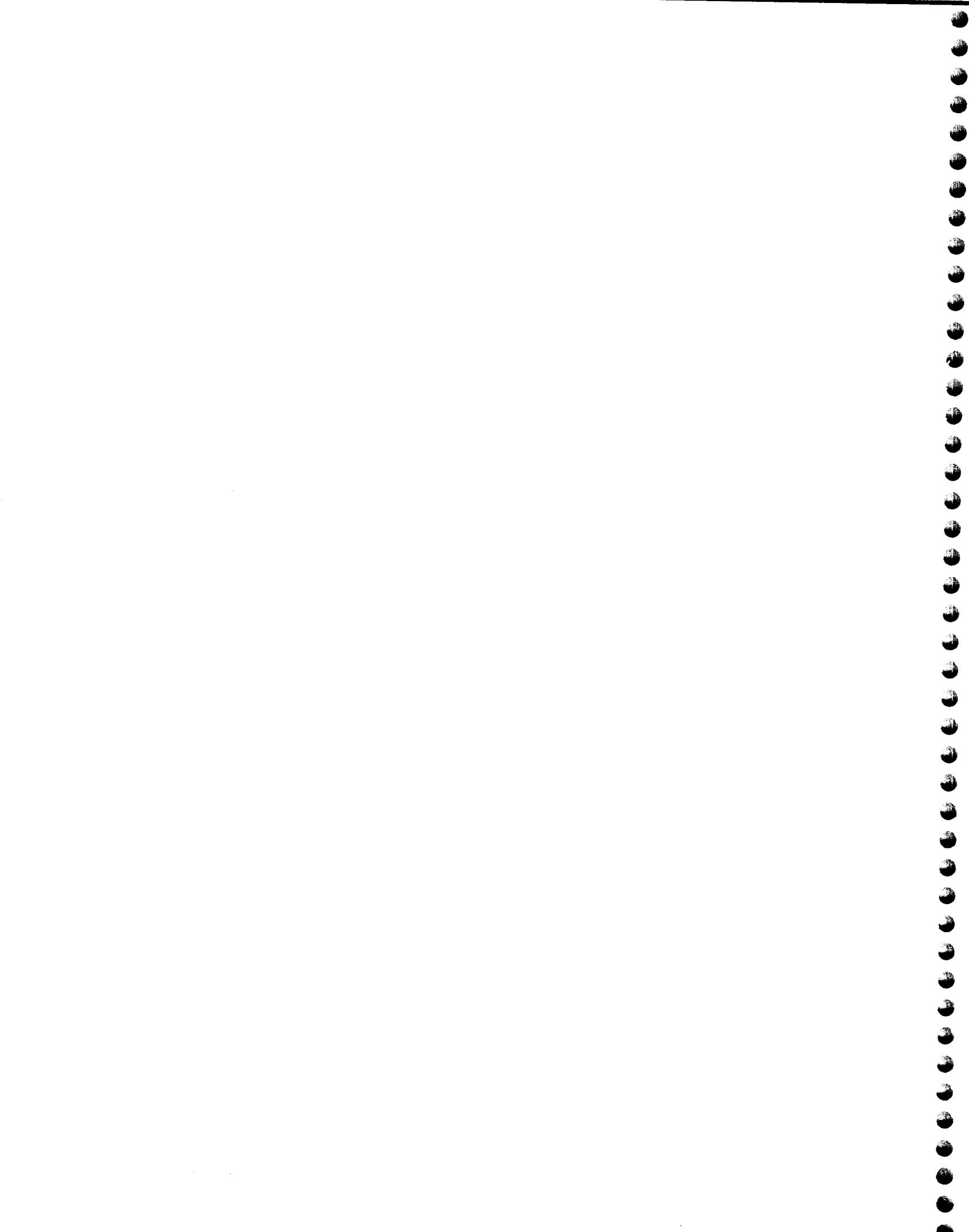
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**BANKS, FINLEY,
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

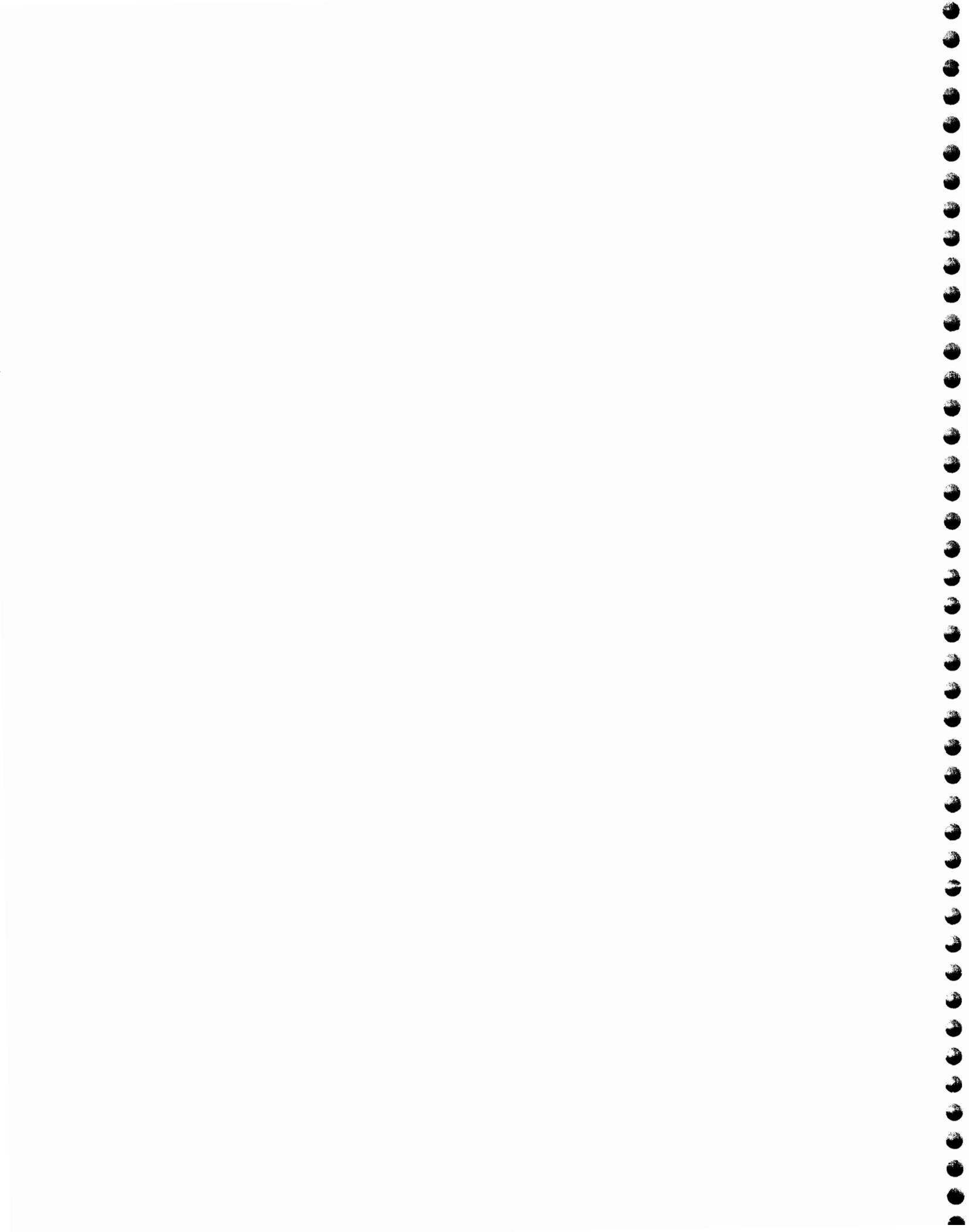
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi, as of September 30, 2015, 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.

Emphasis of Matters

Change in Accounting Principles

As explained in Note 8 and 15 to the financial statements, in 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement Number 27*.

Other Matters

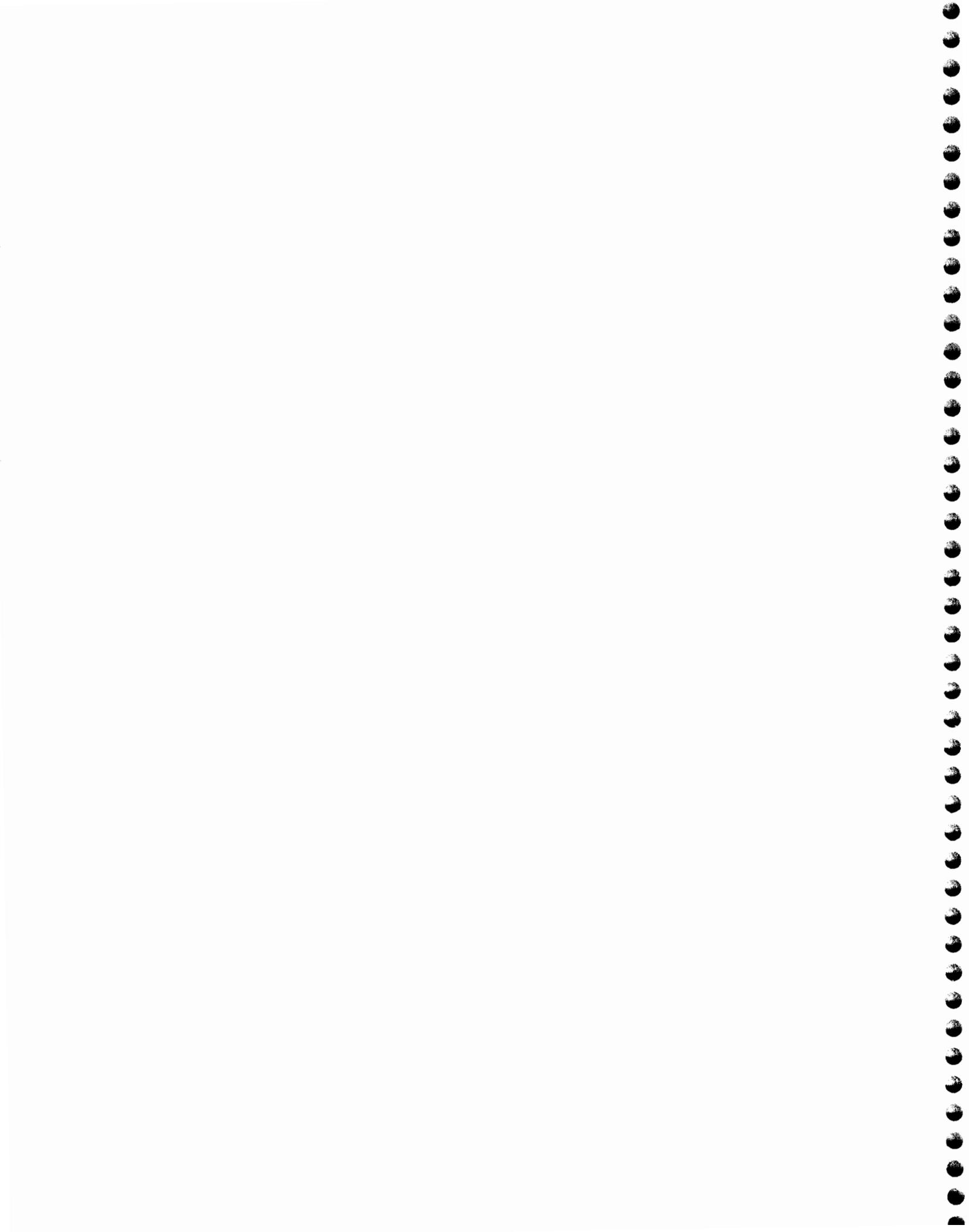
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fayette, Mississippi's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



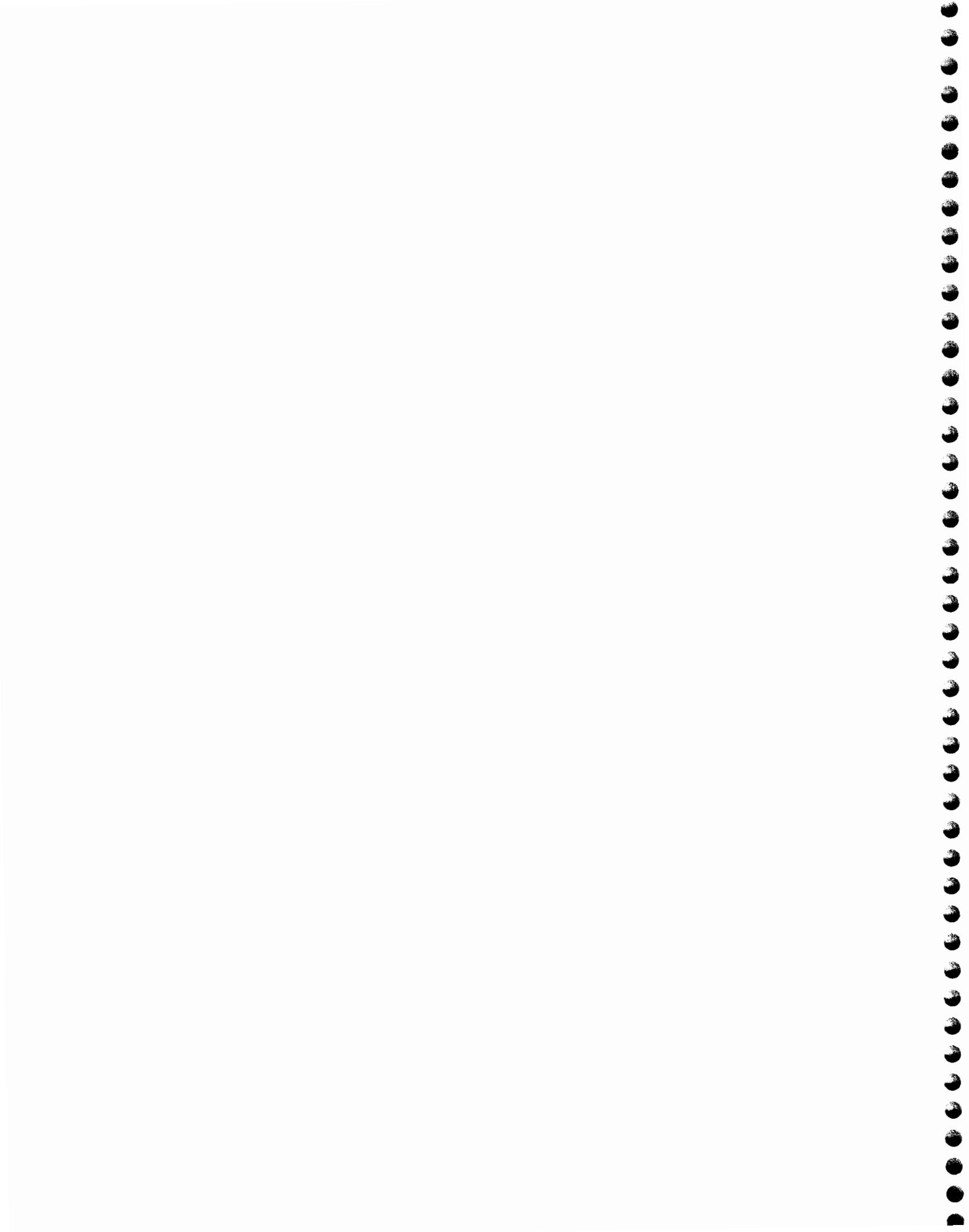
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the City of Fayette, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fayette, Mississippi's internal control over financial reporting and compliance.

Banks, Friley, White & Co.

Jackson, Mississippi
December 1, 2016



CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

INTRODUCTION

The discussion and analysis of the City of Fayette, Mississippi's annual financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

FINANCIAL HIGHLIGHTS

The assets of the City of Fayette, Mississippi exceeded its liabilities at the close of the most recent fiscal year by \$619,142 (*net position*). Of this amount, \$101,484 (*unrestricted net assets*) a deficit, and is not available to be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$171,521. This decrease is due primarily to reduction in revenues and an increase in spending.

As of close of the current fiscal year, the City's governmental funds reported combined ending net position of \$1,080,710, a decrease of \$133,742 in comparison with the prior year. Approximately \$268,273 or 24.82% of this total amount is *available for spending* at the City's discretion (*unrestricted fund balance*).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$271,121, or 39.02% of total general fund expenditures.

The City's total debt had a net decrease by \$92,613 or 10.19% during the current fiscal year. The key factor in this decrease was the retirement of debt.

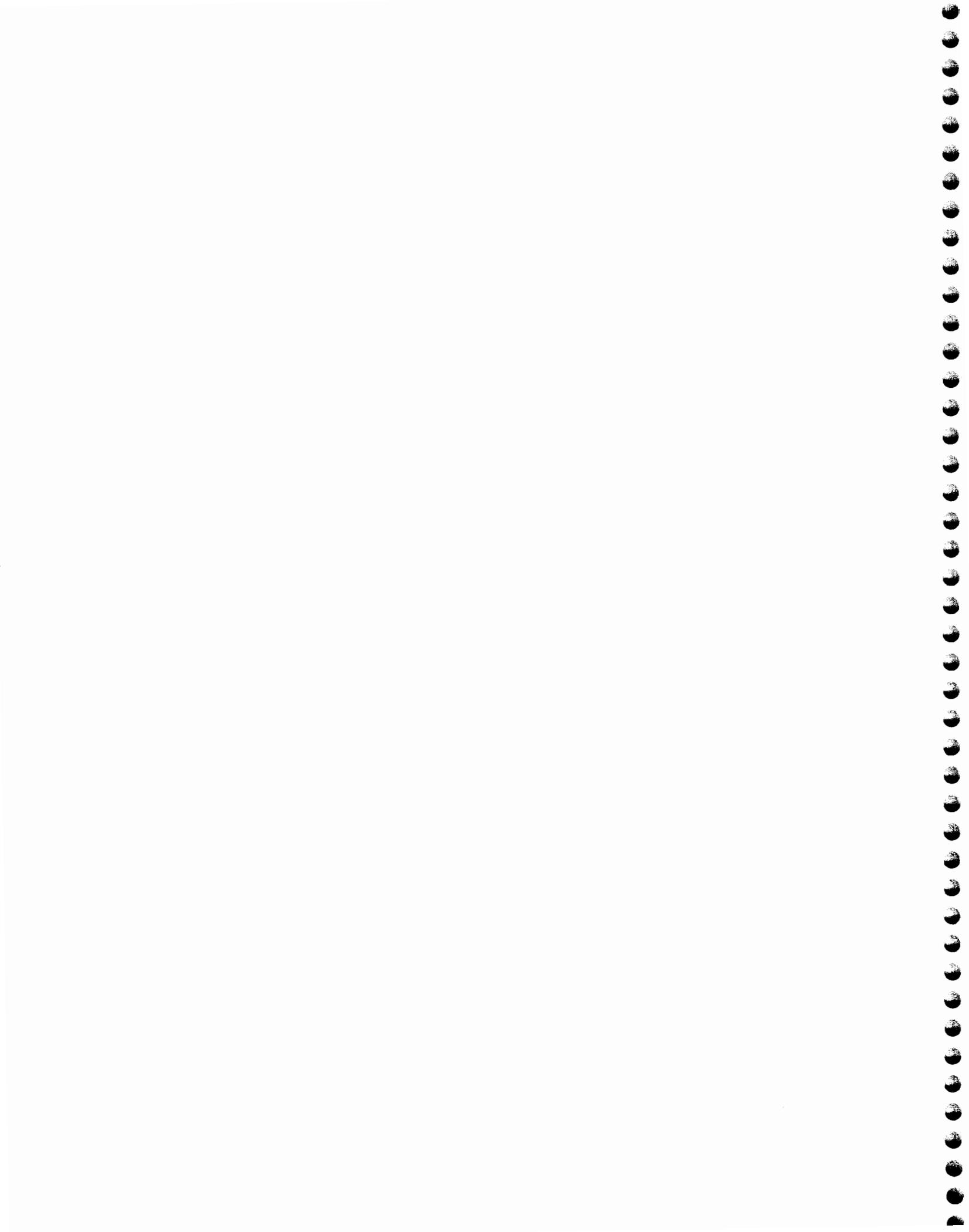
OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT - WIDE FINANCIAL STATEMENTS

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





CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

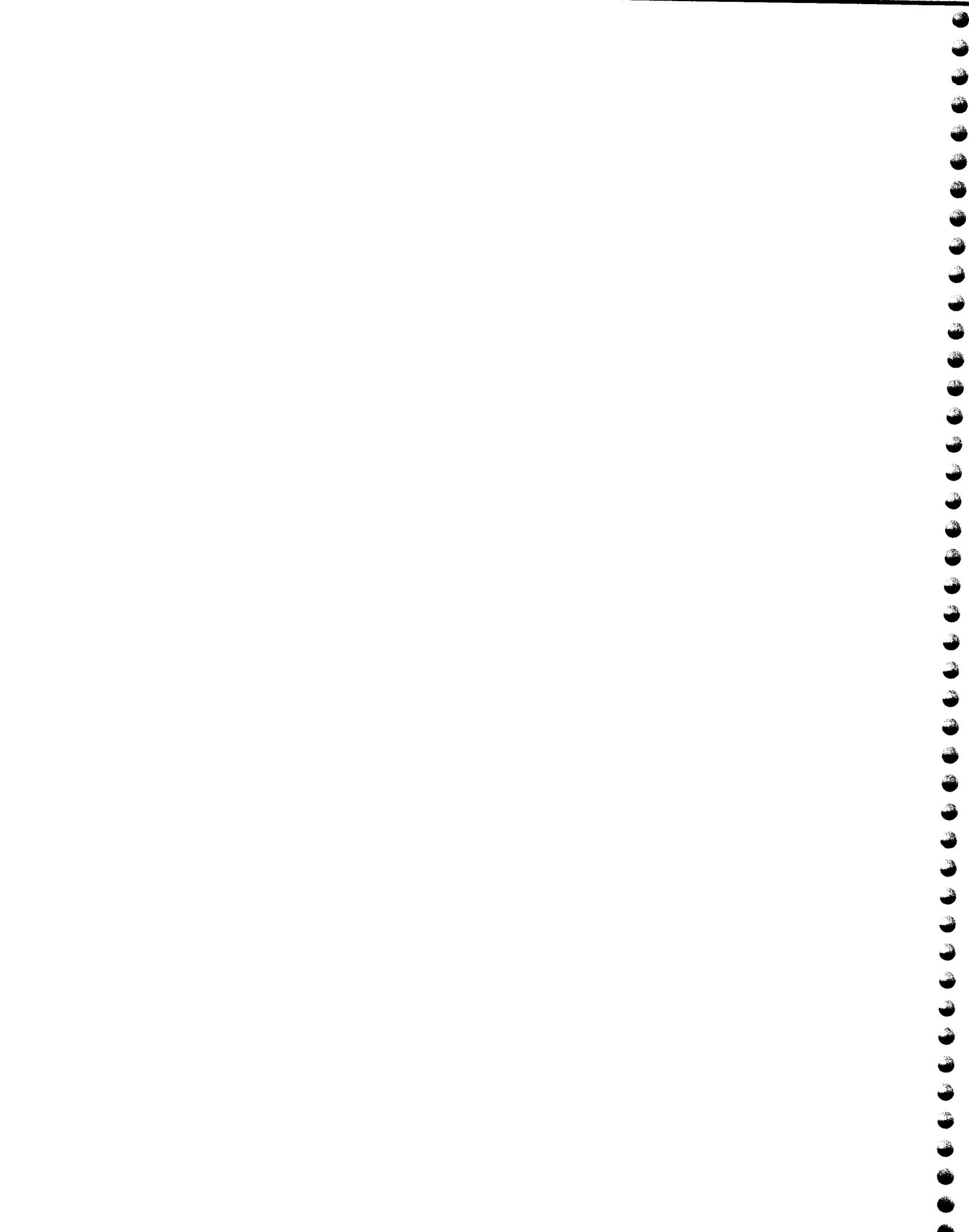
The government-wide financial statements are divided into two categories, which are described as follows:

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

FUND FINANCIAL STATEMENTS

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

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



CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

GOVERNMENT - WIDE FINANCIAL ANALYSIS

NET POSITIONS

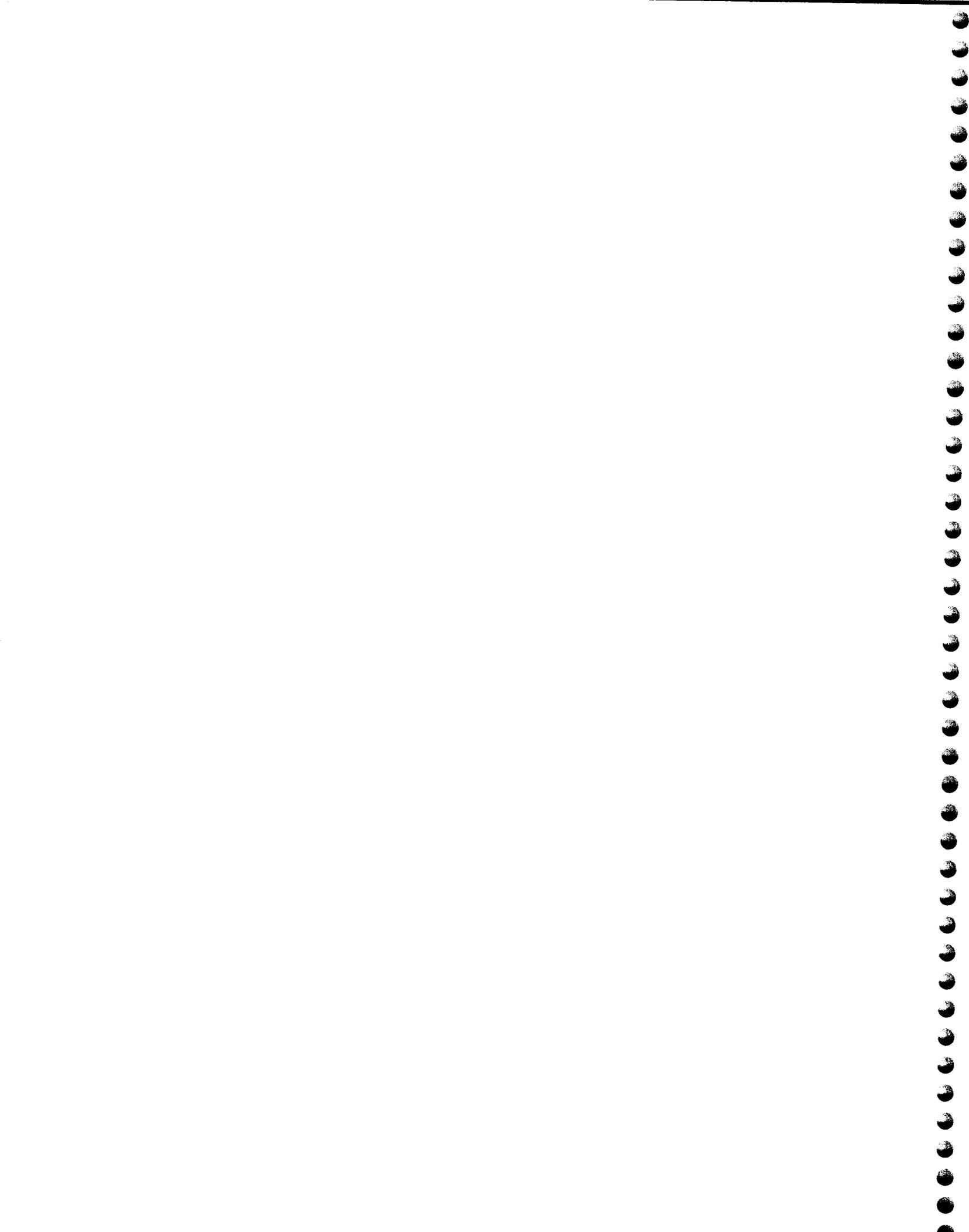
A condensed version of the government-wide Statement of Net Positions is presented as follows:

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and Other Assets	\$ 334,906	\$ 277,785	149,625	145,605	\$ 484,531	\$ 423,390
Capital Assets	<u>771,397</u>	<u>795,156</u>	<u>389,762</u>	<u>43,569</u>	<u>1,161,159</u>	<u>838,725</u>
Total Assets	<u>\$ 1,106,303</u>	<u>1,072,941</u>	<u>539,387</u>	<u>189,174</u>	<u>1,645,690</u>	<u>\$ 1,262,115</u>
Liabilities:						
Current and Other Liabilities	\$ 22,747	\$ 121,102	177,920	166,497	\$ 200,667	\$ 287,599
Long-term Liabilities	<u>2,846</u>	<u>4,870</u>	<u>823,035</u>	<u>913,624</u>	<u>825,881</u>	<u>918,494</u>
Total Liabilities	<u>25,593</u>	<u>125,972</u>	<u>1,000,955</u>	<u>1,080,121</u>	<u>1,026,548</u>	<u>1,206,093</u>
Net Positions:						
Invested in Capital Assets (Net)	\$ 771,397	\$ 795,156	(327,628)	(378,522)	\$ 443,769	\$ 416,634
Restricted	41,040	32,166	32,849	36,604	73,889	68,770
Unrestricted	<u>268,273</u>	<u>119,646</u>	<u>(166,789)</u>	<u>(157,429)</u>	<u>101,484</u>	<u>(37,783)</u>
Total Net Positions	<u>\$ 1,080,710</u>	<u>\$ 946,968</u>	<u>(461,568)</u>	<u>(499,347)</u>	<u>\$ 619,142</u>	<u>\$ 447,621</u>

As the presentation appearing above demonstrates, the largest portion of the City's net position of \$443,769 or 71.67% are invested in capital assets. Net positions invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2015 less any debt used to acquire assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net positions 11.93% represent resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net positions 16.40% is a deficit and is not available to be used to meet the City's ongoing obligations to citizens and creditors.



CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

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

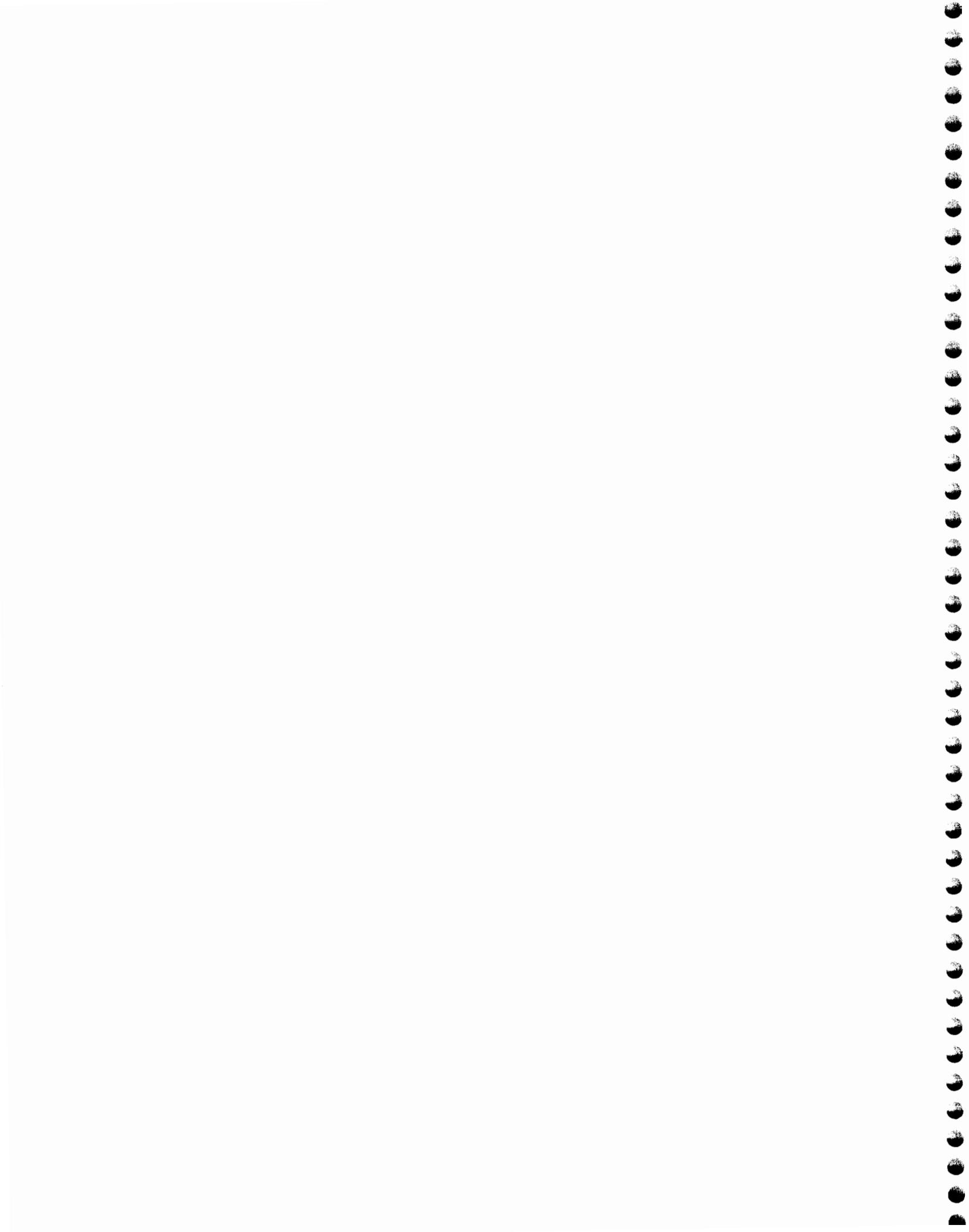
- ◆ Increase in total current assets in the amount of \$61,141.
- ◆ Increase in net capital assets in the amount of \$322,434.
- ◆ Decrease in current liabilities in the amount of \$86,932.
- ◆ Decrease in long-term liabilities in the amount of \$92,613.

CHANGES IN NET POSITIONS

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenue:						
Charges for services	\$ 37,824	\$ 48,713	485,795	478,267	\$ 523,619	\$ 526,980
Operating grants and contributions	14,530	14,115	-	-	14,530	14,115
Capital grants and contributions	23,999	-	-	-	23,999	-
General Revenue:						
Property taxes	384,250	324,620	-	-	384,250	324,620
Sales taxes	215,219	214,670	-	-	215,219	214,670
Franchise taxes	121,502	30,266	36,030	44,535	157,532	74,801
Charges for services	18,020	16,500	-	-	18,020	16,500
Licenses and permits	25,440	11,584	-	-	25,440	11,584
Fines and forfeits	28,375	41,485	-	-	28,375	41,485
Other	<u>6,388</u>	<u>35,987</u>	<u>12,803</u>	<u>24,636</u>	<u>19,191</u>	<u>60,623</u>
Total Revenue	<u>875,547</u>	<u>737,940</u>	<u>534,628</u>	<u>547,438</u>	<u>1,410,175</u>	<u>1,285,378</u>
Program Expenses:						
General Government						
Finance & Administrative	442,009	418,953	-	-	442,009	418,953
Public safety	251,344	376,610	-	-	251,344	376,610
Parks and recreation	7,495	7,495	-	-	7,495	7,495
Sanitation	49,083	45,408	-	-	49,083	45,408
Public works	15,688	17,315	-	-	15,688	17,315
Water/Sewer	-	-	496,849	537,376	496,849	537,376
Total Expenses	<u>765,619</u>	<u>865,781</u>	<u>496,849</u>	<u>537,376</u>	<u>1,262,468</u>	<u>1,403,157</u>
Increase (decrease) in Net Assets						
Before Transfers and Special Items	109,928	(127,841)	37,779	10,062	147,707	(117,779)
Transfers and Special Items	-	-	-	-	-	-
Change in Net Positions	109,928	(127,841)	37,779	10,062	147,707	(117,779)
Net Positions Beginning	<u>946,608</u>	<u>1,074,449</u>	<u>(499,347)</u>	<u>(509,409)</u>	<u>447,261</u>	<u>565,040</u>
Prior period adjustment	<u>23,814</u>	-	-	-	<u>23,814</u>	-
Net Positions Ending	<u>\$ 1,080,350</u>	<u>\$ 946,608</u>	<u>(461,568)</u>	<u>(499,347)</u>	<u>\$ 618,782</u>	<u>\$ 447,261</u>



CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

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

Governmental activities. Governmental activities increased the City's net positions by \$133,742, accounting for 14.13% of the increase in total growth reduction in the City's net positions. Key elements of this increase are as follows:

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

- ◆ General governmental spending decreased by \$23,056 or 5.50% during the year.
- ◆ Public safety spending decreased by \$125,266 or 33.26% during the year.
- ◆ Property taxes revenue increased by \$31,638 or 9.75% during the year.

Business-type activities. Business-type activities increased the City's net positions by \$37,779, accounting for 7.57% of the increase in the City's net positions. Key elements of this decrease are as follows:

- ◆ Operating expenses for the business-type activities decreased by \$40,527 or 7.54% during the year primarily due a decrease in the number of customers and adjustment for charges.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

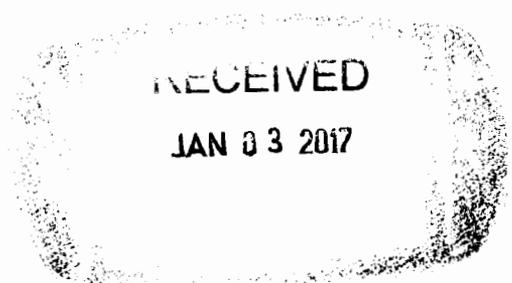
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

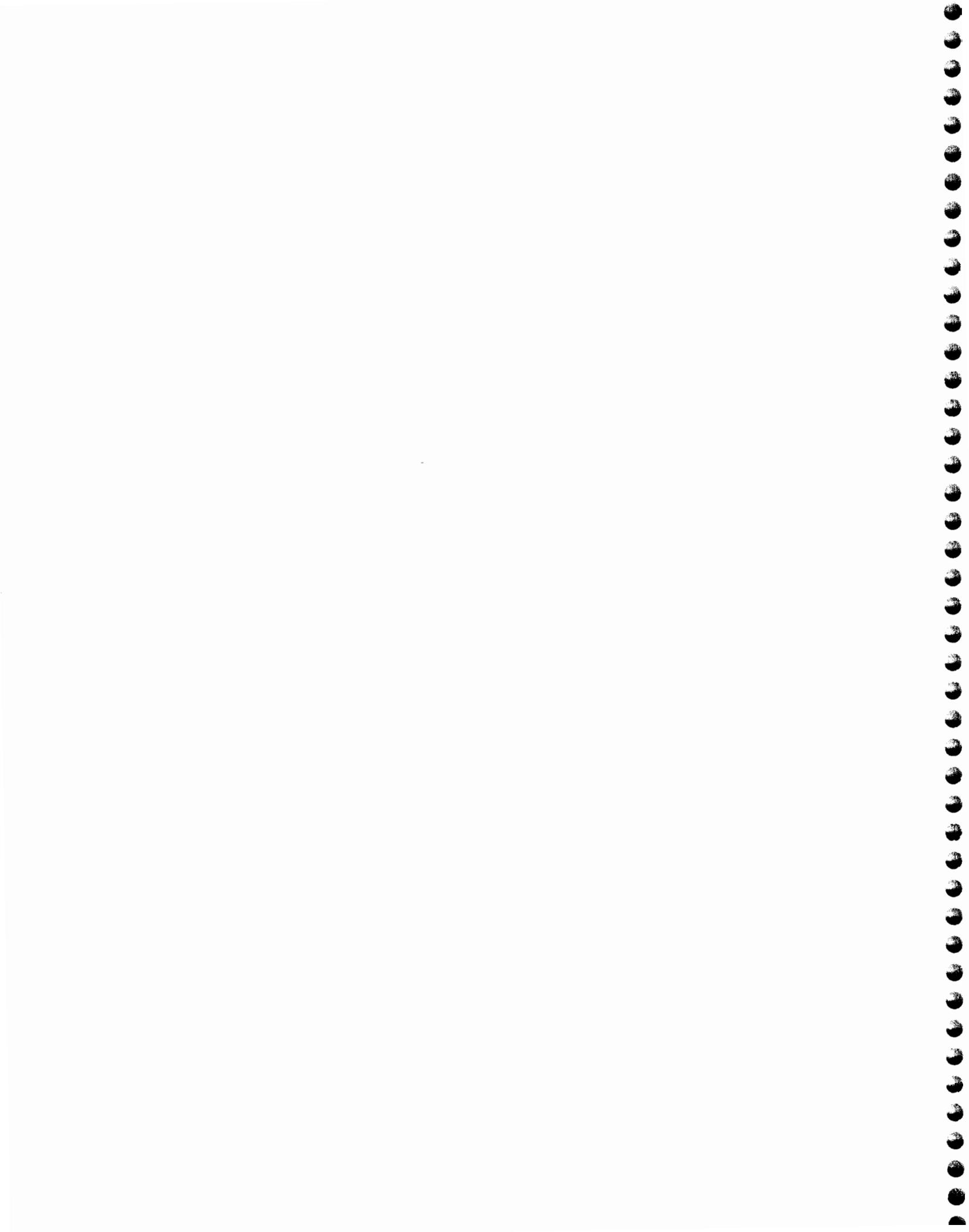
Governmental Funds - The focus of the City's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserve fund balance may serve as a useful measure of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

As of the end of the current fiscal year, the City's governmental funds reported combined ending net position of \$1,080,350, an increase of \$109,928 in comparison to the prior year. In addition, the City's general fund, which is available for spending at the City's discretion, reported a fund balance of \$279,137.

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

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





CITY OF FAYETTE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2015

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

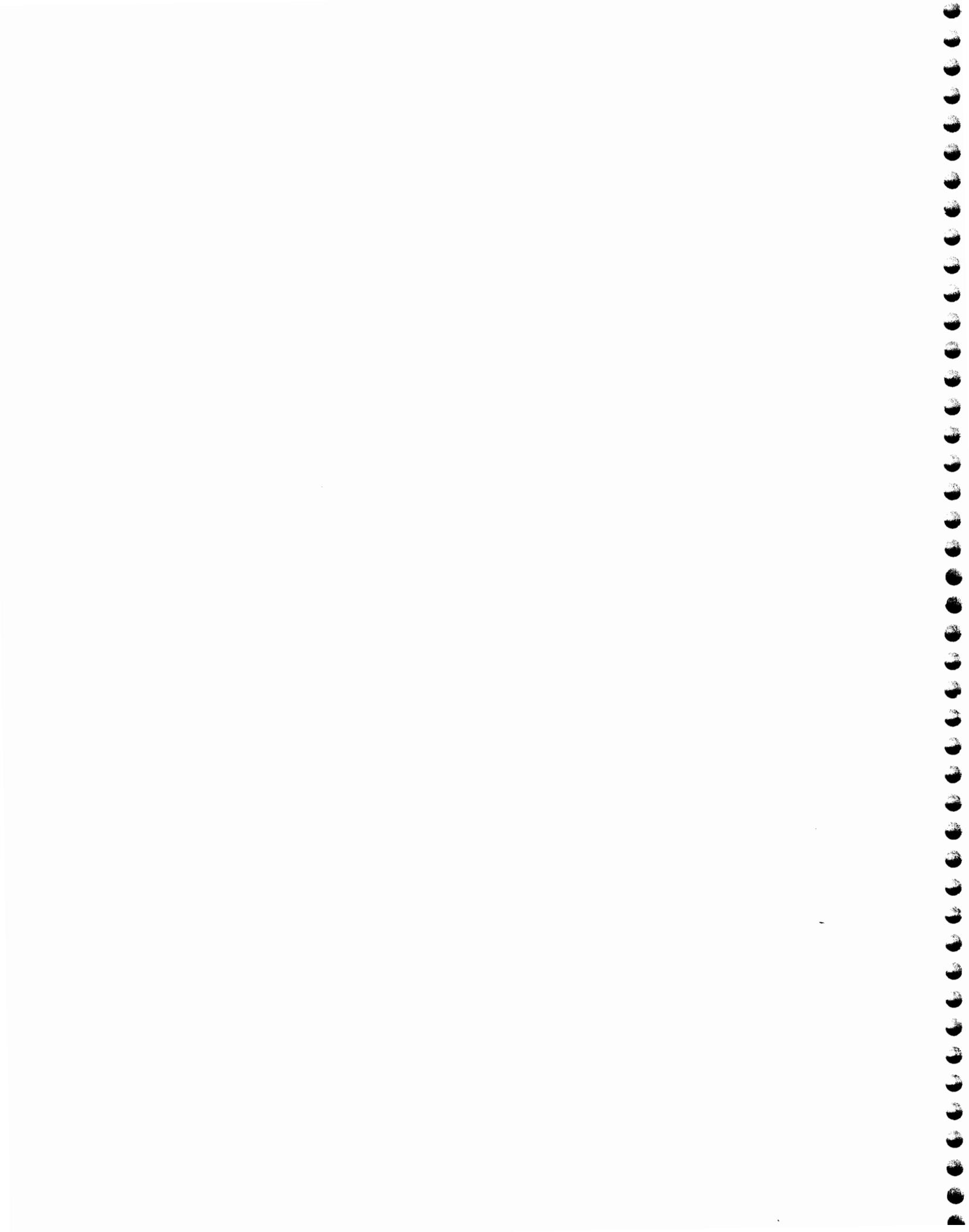
Capital asset - As of September 30, 2015, the City's total capital assets was \$6,347,016. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. The City did not acquire any capital assets during the year.

Total accumulated depreciation as of September 30, 2015 was \$5,185,856, including \$90,682, of depreciation expense for the year. The balance in total net capital assets was \$1,161,160 at year end.

Debt Administration - As of September 30, 2015, the City had \$825,881 in long term debt outstanding. This includes revenue bonds, bank notes, obligations under capital leases and compensated absences payable. Of this debt, \$104,248 is due within one year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

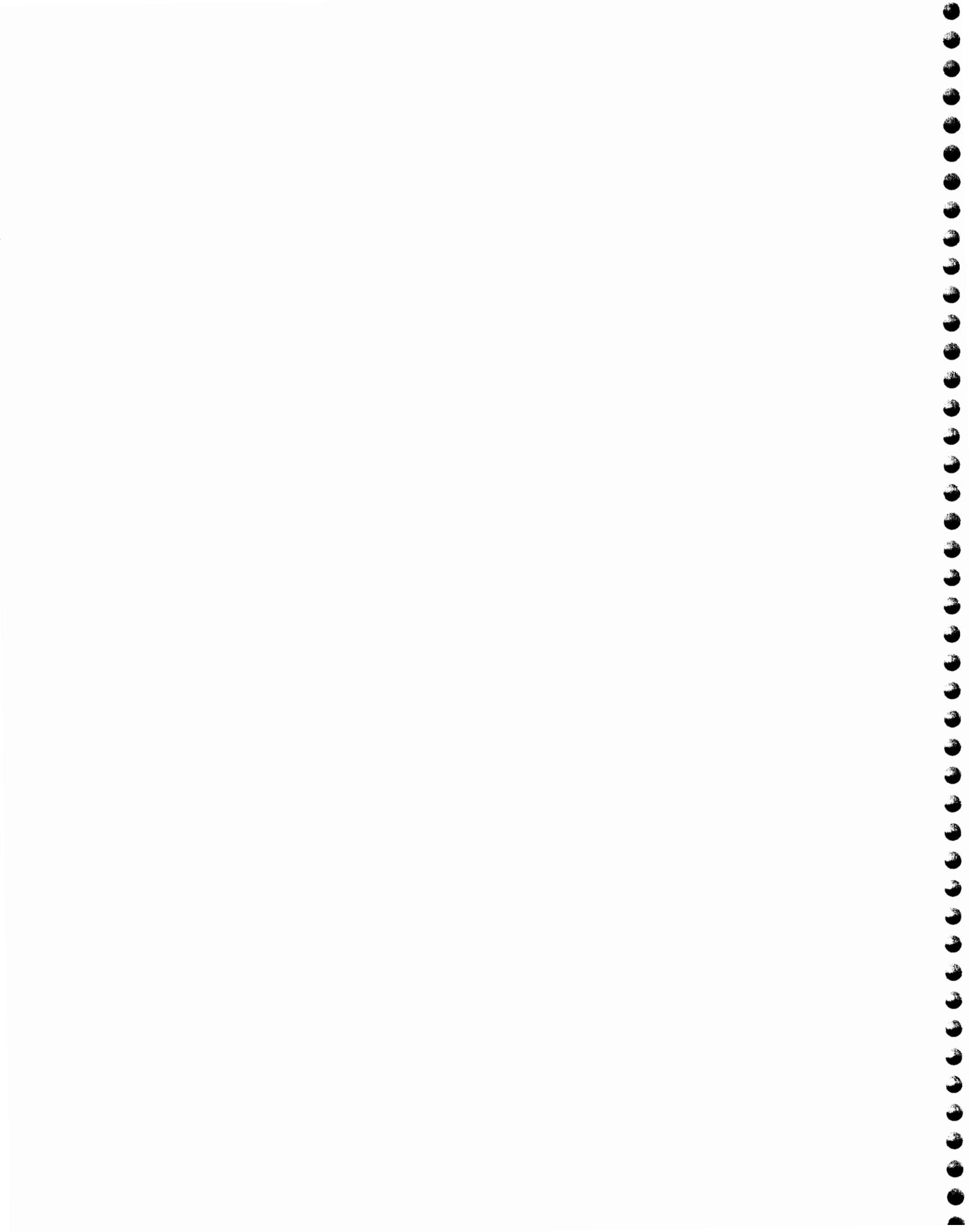
This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information,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



CITY OF FAYETTE, MISSISSIPPI
Statement of Net Positions
For the Year Ended September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 133,740	-	\$ 133,740
Accounts receivable, net	10,599	106,323	116,922
Other receivables	66,685	-	66,685
Intergovernmental receivables	18,541	10,438	28,979
Due from other funds	105,341	15	105,356
Restricted Assets:			
Cash and cash equivalents	-	32,849	32,849
Capital Assets:			
Land	-	6,120	6,120
Buildings	-	27,500	27,500
Improvements other than buildings	171,826	356,142	527,968
Automotive and equipment	(1,841)	-	(1,841)
Construction in progress	<u>601,412</u>	<u>-</u>	<u>601,412</u>
TOTAL ASSETS	<u>1,106,303</u>	<u>539,387</u>	<u>1,645,690</u>
TOTAL ASSETS	<u>\$ 1,106,303</u>	<u>\$ 539,387</u>	<u>\$ 1,645,690</u>
LIABILITIES			
Accounts payable, general	\$ 17,544	40,357	\$ 57,901
Payroll taxes payable	5,203	-	5,203
Accrued interest payable	-	2,219	2,219
Customer's deposits	-	31,595	31,595
Due to other funds	-	103,749	103,749
Noncurrent liabilities:			
Due within one year	1,423	102,825	104,248
Due in more than one year	<u>1,423</u>	<u>720,210</u>	<u>721,633</u>
Total Liabilities	<u>25,593</u>	<u>1,000,955</u>	<u>1,026,548</u>
NET POSITIONS:			
Investment in capital assets, net of related debt	771,397	(327,628)	443,769
Restricted	41,040	32,849	73,889
Unrestricted	<u>268,273</u>	<u>(166,789)</u>	<u>101,484</u>
Total Net Positions	<u>\$ 1,080,710</u>	<u>\$ (461,568)</u>	<u>\$ 619,142</u>
TOTAL LIABILITIES AND NET POSITIONS	<u>\$ 1,106,303</u>	<u>539,387</u>	<u>\$ 1,645,690</u>

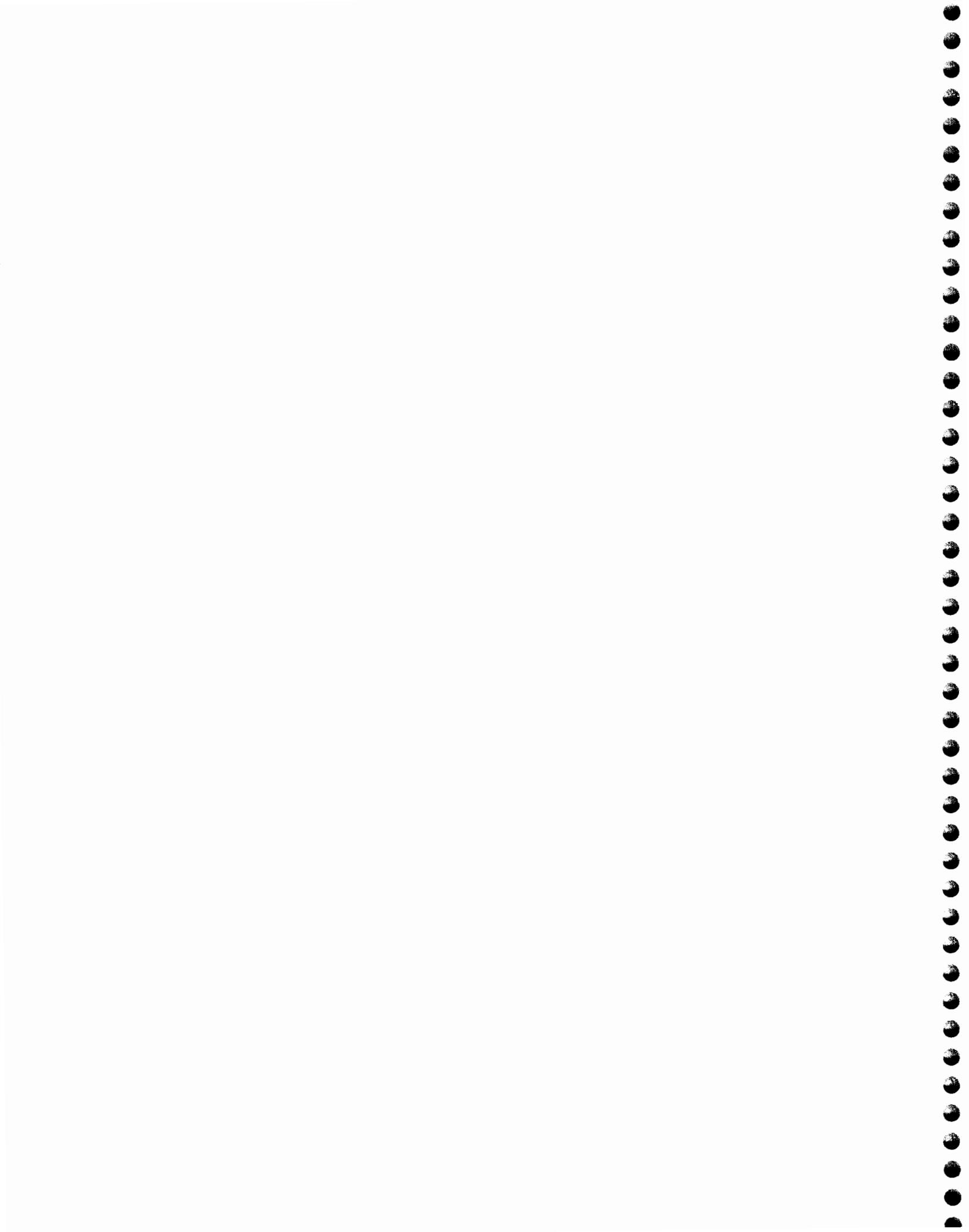
The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF FAYETTE, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2015

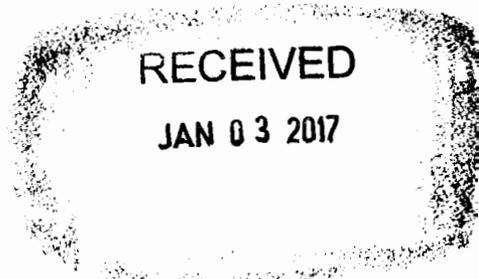
	Program Revenues			Net (Expenses) Revenues Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental activities:							
Administration	\$ 406,109	-	5,748	-	(400,361)	-	\$ (400,361)
Judicial	35,900	-	-	-	(35,900)	-	(35,900)
Public safety	251,344	-	8,782	-	(242,562)	-	(242,562)
Public works	15,688	-	-	-	(15,688)	-	(15,688)
Parks and recreation	7,495	-	-	23,999	16,504	-	16,504
Sanitation	49,083	37,824	-	-	(11,259)	-	(11,259)
Total governmental activities	<u>765,619</u>	<u>37,824</u>	<u>14,530</u>	<u>23,999</u>	<u>(689,266)</u>	<u>-</u>	<u>(689,266)</u>
Business-type activities:							
Water/Sewer	452,720	485,795	-	-	-	33,075	33,075
Interest on long-term debt	44,129	-	-	-	-	(44,129)	(44,129)
Total Business-type activities	<u>496,849</u>	<u>485,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,054)</u>	<u>(11,054)</u>
Total Primary Government	<u>\$ 1,262,468</u>	<u>523,619</u>	<u>14,530</u>	<u>23,999</u>	<u>(689,266)</u>	<u>(11,054)</u>	<u>\$ (700,320)</u>
General Revenues:							
Property taxes					\$ 384,250	-	\$ 384,250
Sales taxes					215,219	-	215,219
Franchise taxes					121,502	36,030	157,532
Charges for services					18,020	-	18,020
Fines and report fees					28,375	-	28,375
License and permits					25,440	-	25,440
Miscellaneous					6,158	12,710	18,868
Unrestricted investment earnings					230	93	323
Total general revenues, special items, and transfers					<u>799,194</u>	<u>48,833</u>	<u>848,027</u>
Change in net positions					109,928	37,779	147,707
Net Positions - Beginning					946,968	(499,347)	447,621
Prior period adjustments					23,814	-	23,814
Net Positions - Ending					<u>\$ 1,080,710</u>	<u>(461,568)</u>	<u>\$ 619,142</u>

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

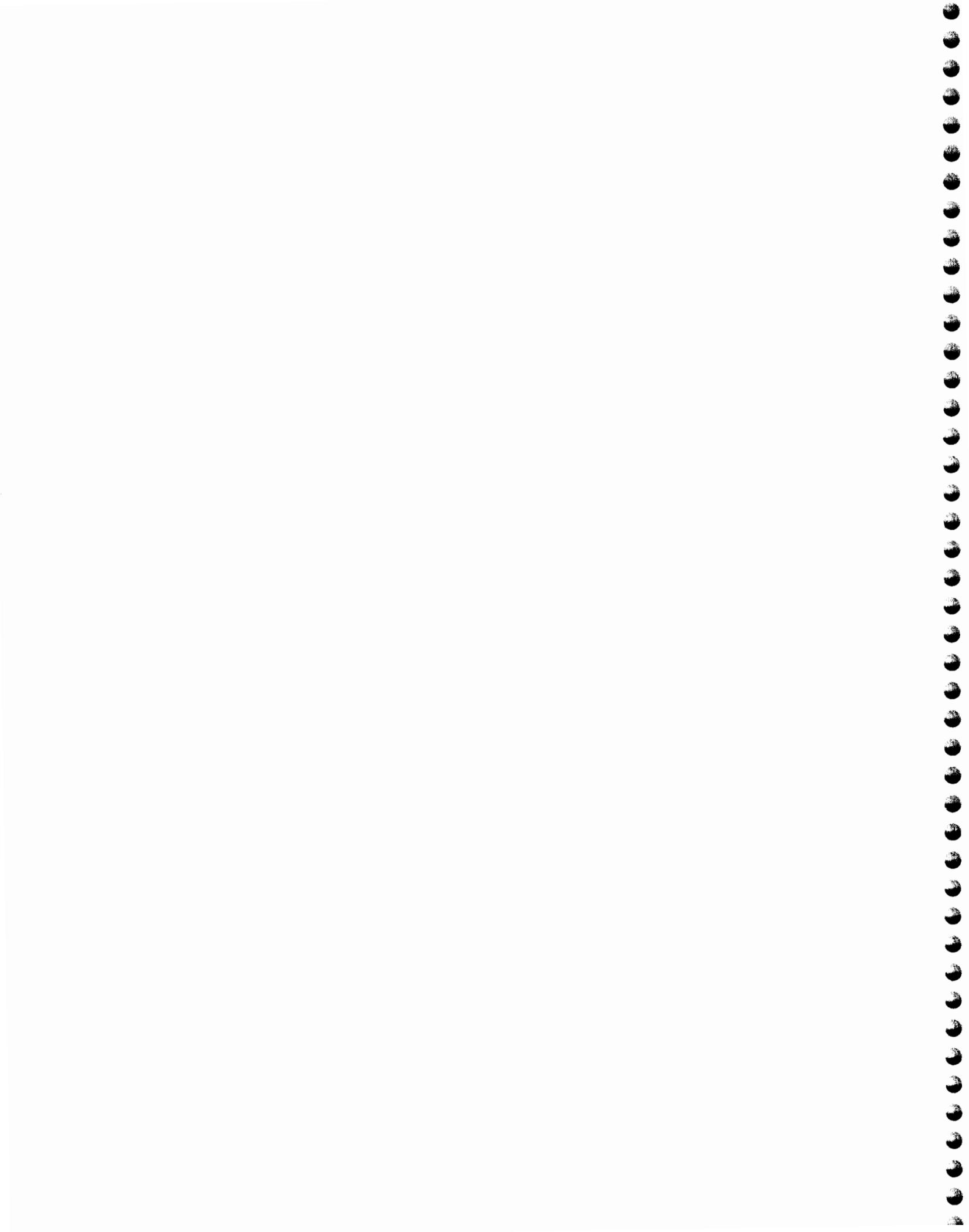


CITY OF FAYETTE, MISSISSIPPI
Balance Sheet
Governmental Funds
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 87,465	46,276	\$ 133,741
Accounts receivable, net of allowances	9,517	1,083	10,600
Other receivables	66,685	-	66,685
Intergovernmental receivable	18,541	-	18,541
Due from other funds	<u>104,845</u>	<u>4,561</u>	<u>109,406</u>
TOTAL ASSETS	<u>\$ 287,053</u>	<u>51,920</u>	<u>\$ 338,973</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable, general	\$ 7,911	9,632	\$ 17,543
Payroll taxes payable	5	5,200	5,205
Due to other funds	-	<u>4,064</u>	<u>4,064</u>
Total Liabilities	<u>7,916</u>	<u>18,896</u>	<u>26,812</u>
Fund Balance			
Restricted	-	41,040	41,040
Unassigned	<u>279,137</u>	<u>(8,016)</u>	<u>271,121</u>
Total Fund Equity	<u>279,137</u>	<u>33,024</u>	<u>312,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 287,053</u>	<u>51,920</u>	<u>\$ 338,973</u>



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



CITY OF FAYETTE, MISSISSIPPI
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to Net Positions of Governmental Activities on
 the Statement of Net Assets
 For the Year Ended September 30, 2015

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

Total Fund Balances - Governmental Funds		\$ 312,161
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

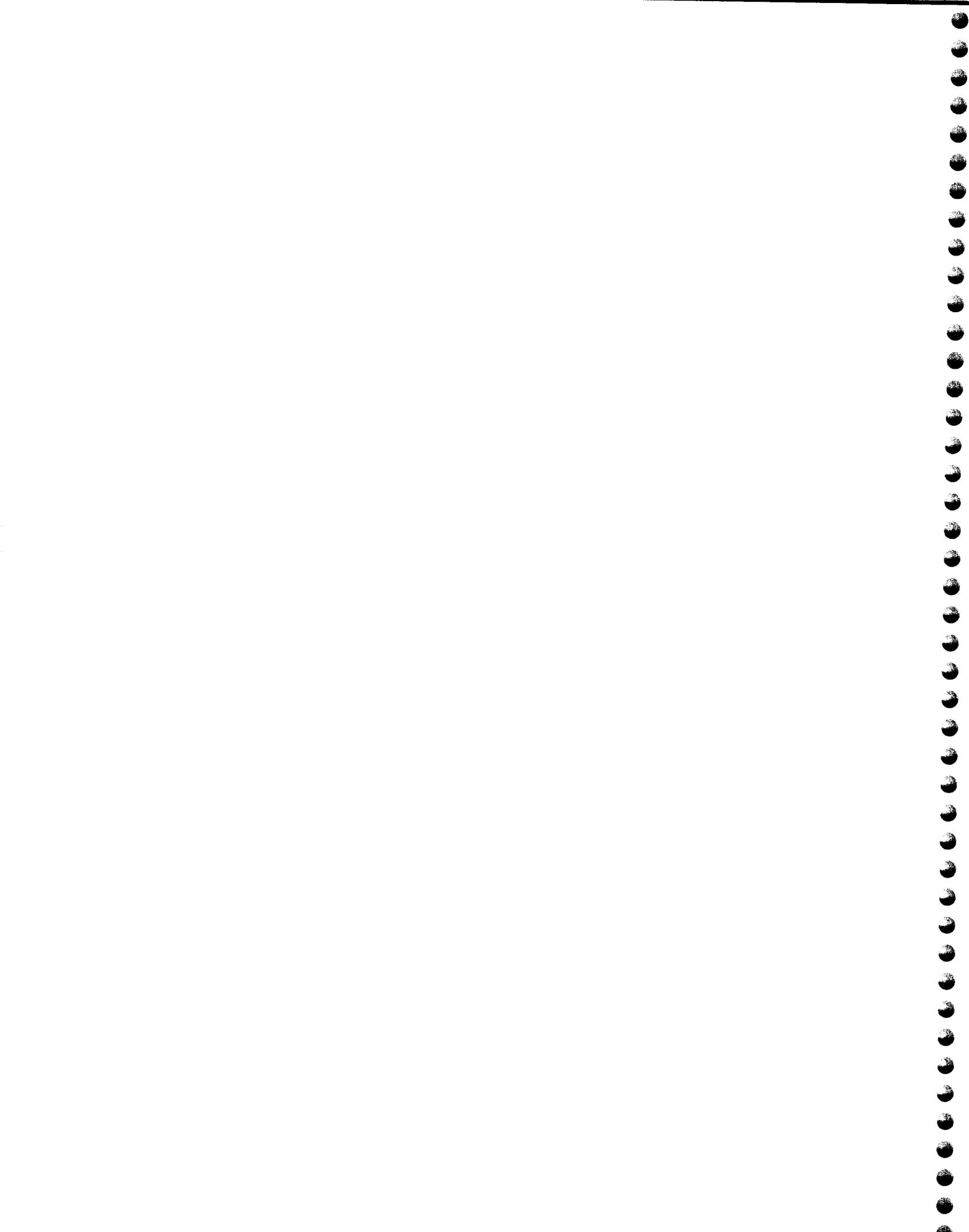
Capital Assets	1,323,004	
Less: Accumulated Depreciation	<u>(551,607)</u>	771,397

Liabilities not due and payable in the current period are not reported in the funds, as follows:

Compensated for absences	(2,845)	
Other	<u>(3)</u>	<u>(2,848)</u>

Net Position of Governmental Activities		\$ <u>1,080,710</u>
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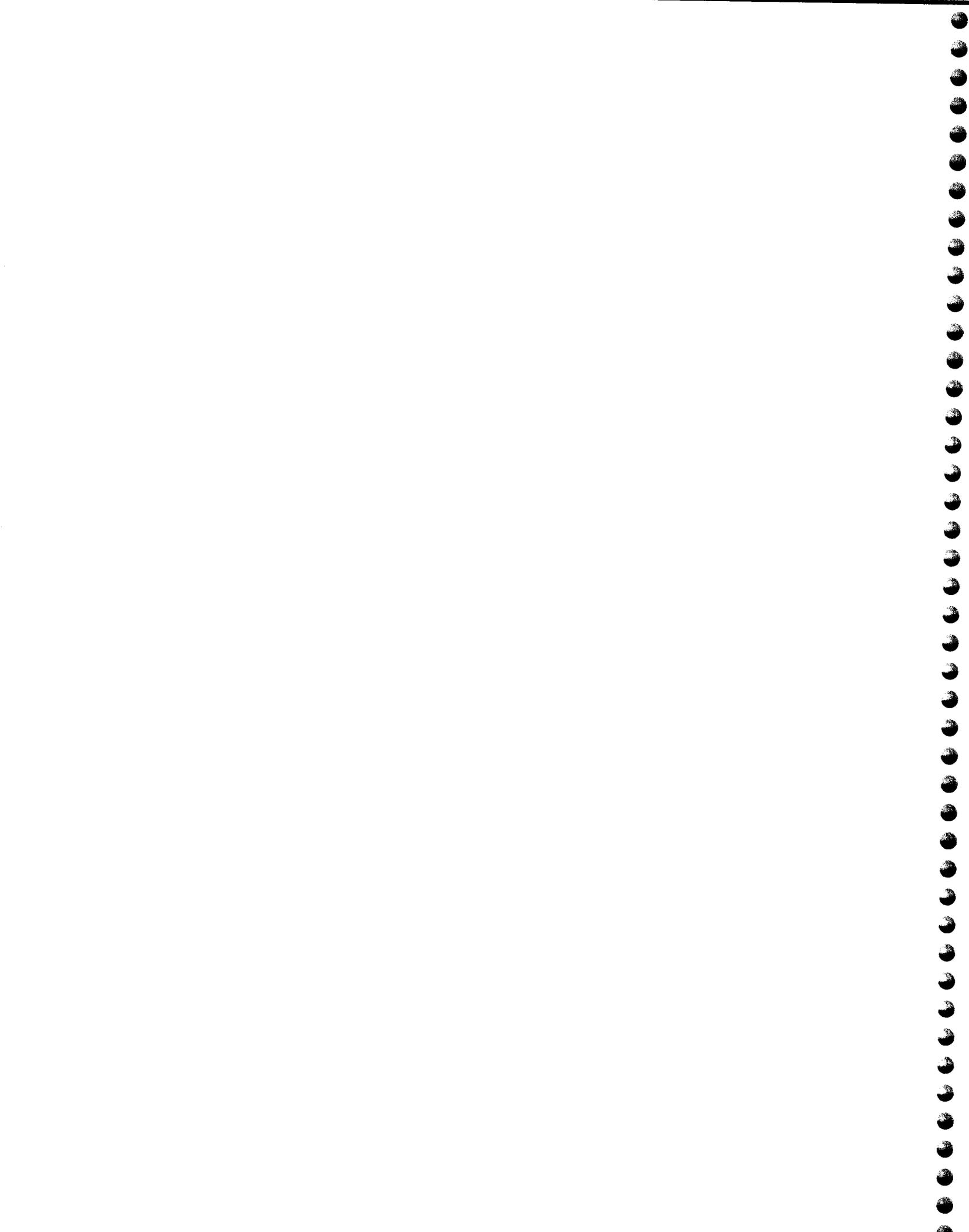
The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF FAYETTE, MISSISSIPPI
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
General property taxes	\$ 384,250	-	\$ 384,250
Privilege licenses and permits	25,440	-	25,440
Intergovernmental revenues	244,965	8,782	253,747
Franchise taxes	79,729	-	79,729
Charges for services	-	37,826	37,826
Fines and report fees	28,375	-	28,375
Interest income	139	93	232
Rent income	18,020	-	18,020
Miscellaneous	47,930	-	47,930
Total Revenues	<u>828,848</u>	<u>46,701</u>	<u>875,549</u>
EXPENDITURES:			
General Government:			
Administration	402,831	-	402,831
Judicial	35,400	-	35,400
Public safety	240,882	1	240,883
Public works	15,688	-	15,688
Sanitation	-	49,084	49,084
TOTAL EXPENDITURES	<u>694,801</u>	<u>49,085</u>	<u>743,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>134,047</u>	<u>(2,384)</u>	<u>131,663</u>
Other Financing Sources:			
Operating transfers in	-	15,164	15,164
Operating transfers out	(15,164)	-	(15,164)
Total Other Financing Sources	<u>(15,164)</u>	<u>15,164</u>	<u>-</u>
Net Change in Fund Balance	118,883	12,780	131,663
Prior period adjustment	23,814	-	23,814
Fund Balance at Beginning of Year	136,440	20,244	156,684
Fund Balance at End of Year	<u>\$ 279,137</u>	<u>33,024</u>	<u>\$ 312,161</u>

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



CITY OF FAYETTE, MISSISSIPPI
 Reconciliation of the Statement of Revenues
 Expenditures, and Changes in Net Positions Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds	\$	131,663
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

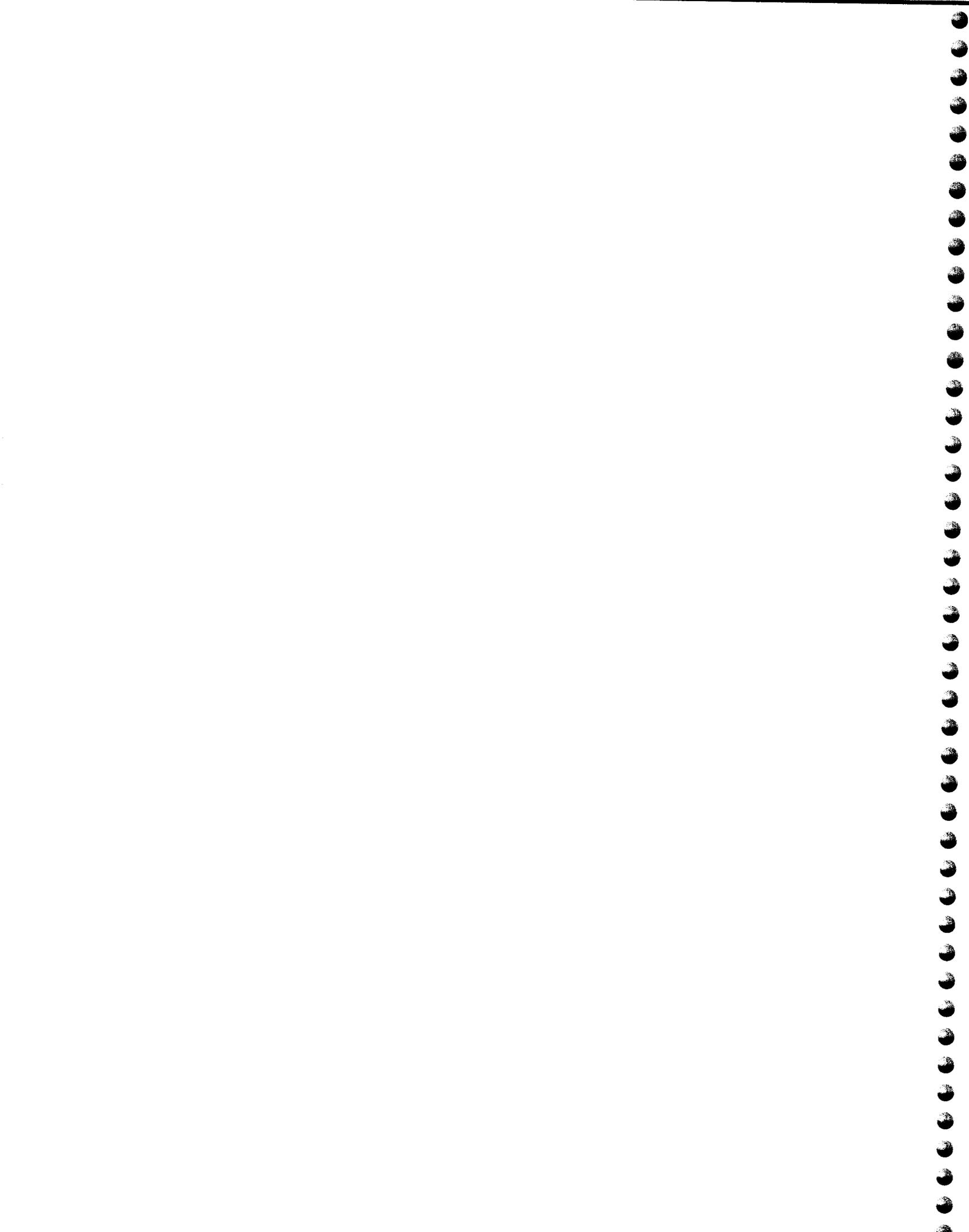
Capital outlays	-	
Depreciation expense	<u>(23,759)</u>	(23,759)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balance by a combination of the following items:

Other	<u>2,024</u>	<u>2,024</u>
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Change in net position of governmental activities	\$	<u>109,928</u>
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The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF FAYETTE, MISSISSIPPI
 General Fund
 Statement of Revenues, Expenditures, and Changes in Net Positions - Budget and Actual
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 474,467	474,467	384,250	\$ (90,217)
Privilege licenses and permits	13,603	13,603	25,440	11,837
Intergovernmental revenues	293,925	293,925	244,965	(48,960)
Franchise taxes	63,517	63,517	79,729	16,212
Rent	83,795	83,795	18,020	(65,775)
Fines and report fees	226,576	226,576	28,375	(198,201)
Interest	-	-	139	139
Miscellaneous	<u>11,809</u>	<u>11,809</u>	<u>47,930</u>	<u>36,121</u>
TOTAL REVENUES	<u>1,167,692</u>	<u>1,167,692</u>	<u>828,848</u>	<u>(338,844)</u>
OPERATING DISBURSEMENTS:				
General Government				
Administration	541,489	541,489	402,831	138,658
Judicial	35,400	35,400	35,400	-
Public Safety				
Police and fire protection	663,229	663,229	240,882	422,347
Public Works				
Streets improvements	<u>71,768</u>	<u>71,768</u>	<u>15,688</u>	<u>56,080</u>
Total Expenditures	<u>1,311,886</u>	<u>1,311,886</u>	<u>694,801</u>	<u>617,085</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(144,194)</u>	<u>(144,194)</u>	<u>134,047</u>	<u>278,241</u>
Other Financing Sources:				
Operating transfers out	<u>(32,943)</u>	<u>(32,943)</u>	<u>(15,164)</u>	<u>17,779</u>
Total Other Financing Sources	<u>(32,943)</u>	<u>(32,943)</u>	<u>(15,164)</u>	<u>17,779</u>
Net Change in Fund Balance	(177,137)	(177,137)	118,883	296,020
Fund Balance at Beginning of Year	255,664	255,664	255,664	-
Fund Balance at End of Year	<u>\$ 78,527</u>	<u>78,527</u>	<u>374,547</u>	<u>\$ 296,020</u>

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

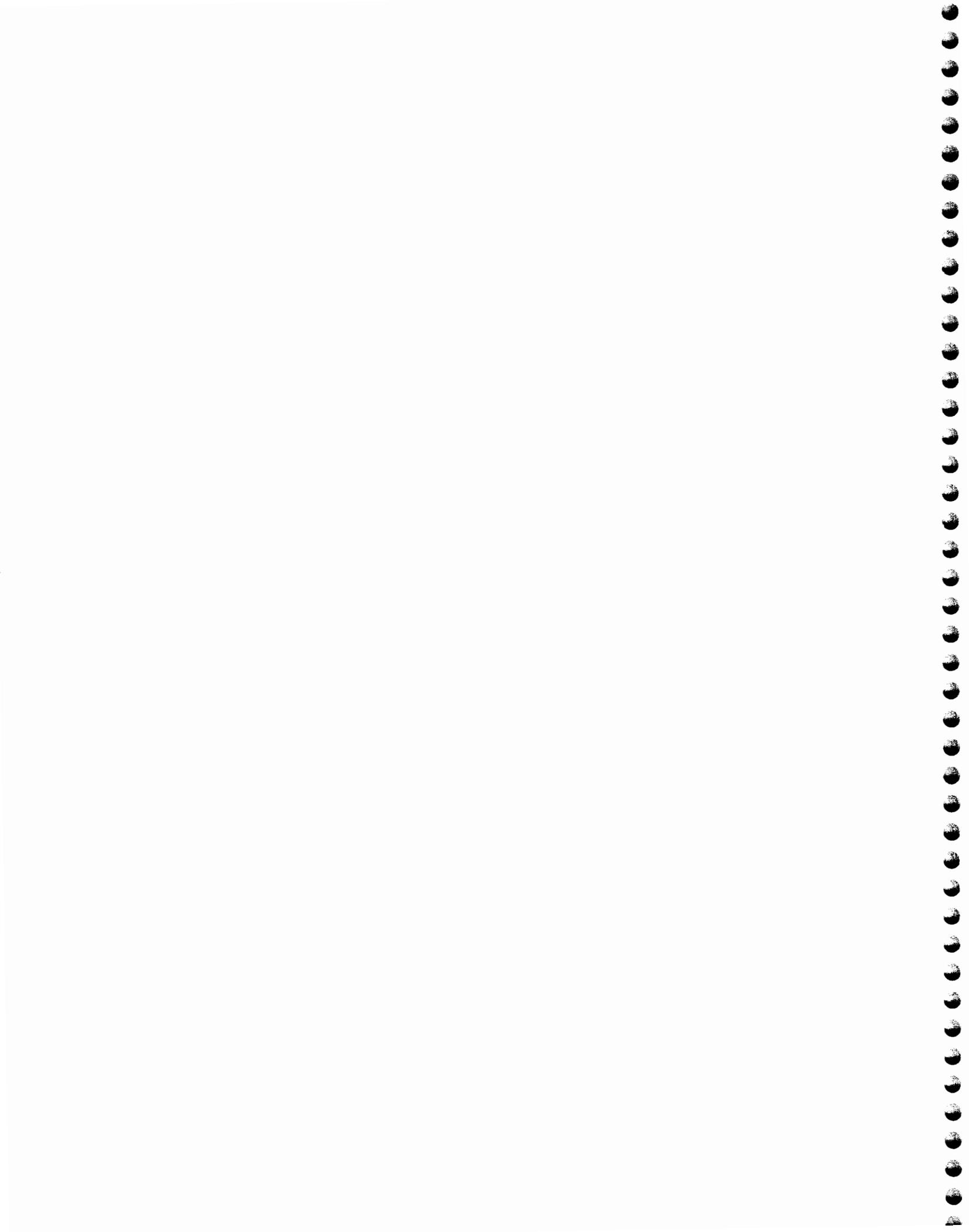




CITY OF FAYETTE, MISSISSIPPI
Statement of Net Positions
Proprietary Fund
For the Year Ended September 30, 2015

	Business - Type Activities <u>Water/Sewer Fund</u>
Assets	
Accounts receivable, net of allowances	\$ 106,323
Other receivables	10,438
Due from other funds	<u>15</u>
Total Current Assets	<u>116,776</u>
Restricted Assets:	
Cash and cash equivalents	32,849
Property, plant and Equipment, at Cost	
Land	6,120
Buildings	27,500
Water plant, distribution system and equipment	<u>4,990,392</u>
	5,024,012
Less: accumulated depreciation	<u>(4,634,250)</u>
	<u>389,762</u>
Total Assets	<u>\$ 539,387</u>
Liabilities and Net Assets	
Accounts payable	\$ 40,357
Due to other funds	103,749
Current portion of long term debt:	
Compensated absences	<u>2,820</u>
Total current liabilities	<u>146,926</u>
Current Liabilities Payable from restricted Assets:	
Customer deposits	31,595
Accrued interest payable	2,219
Current portion of revenue bonds payable	<u>100,005</u>
Total Current liabilities payable from restricted assets	<u>133,819</u>
Long-Term Debt (less amounts classified as current)	
Revenue bonds (net of unamortized discount /premium)	717,390
Compensated absences	<u>2,820</u>
Total long-term debt	<u>720,210</u>
Total Liabilities	<u>1,000,955</u>
Net Positions	
Investment in Capital Assets, net of related debt	(327,628)
Restricted for debt service	32,849
Unrestricted	<u>(166,789)</u>
Total Net Positions	<u>(461,568)</u>
Total Liabilities and Net Positions	<u>\$ 539,387</u>

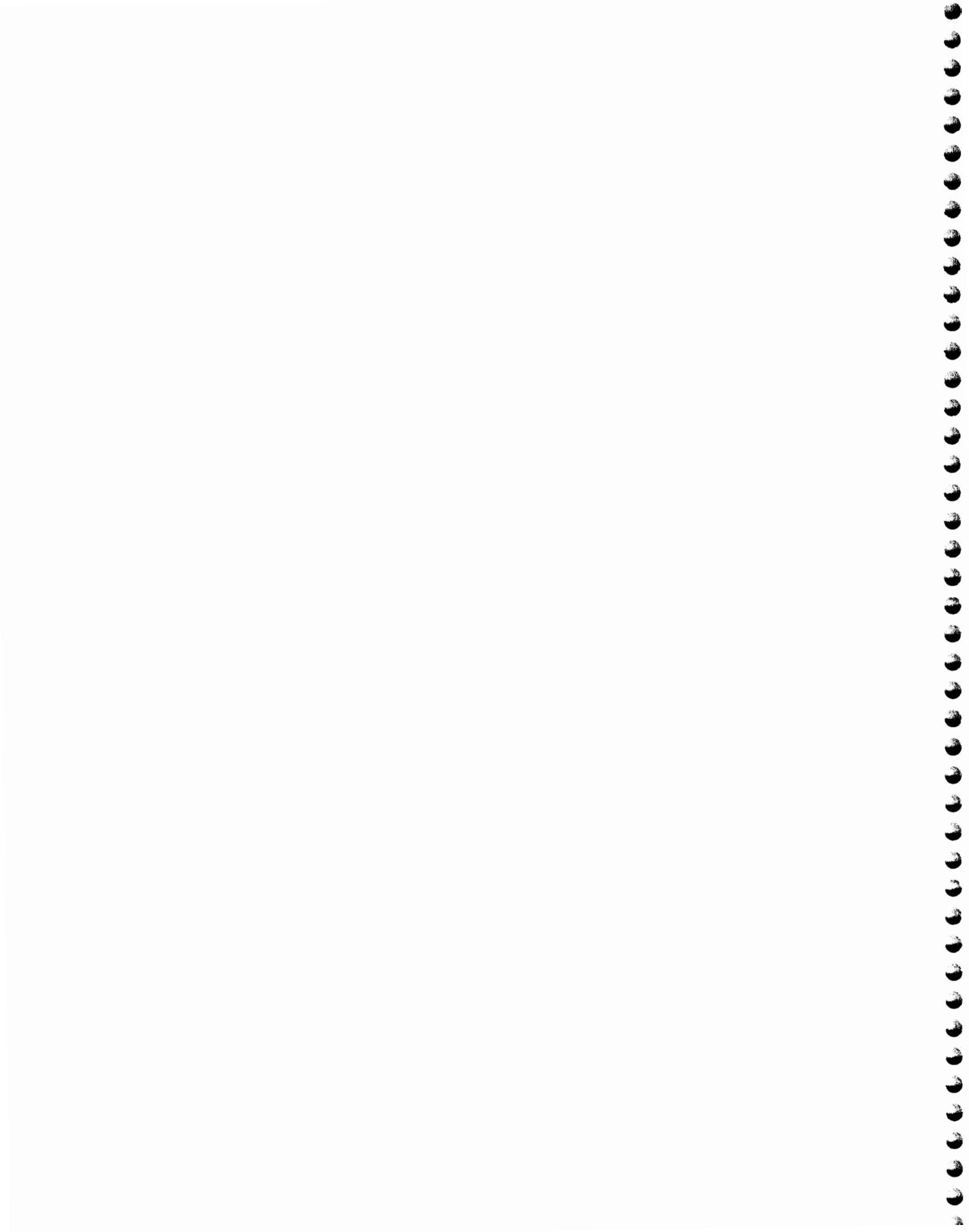
The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF FAYETTE, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Positions
Proprietary Funds
For the Year Ended September 30, 2015

	<u>Business - Type Activities</u>
Operating Revenues:	
Sales to customers	\$ 485,795
Franchise taxes	<u>36,030</u>
Total Operating Revenues	<u>521,825</u>
Operating Expenses:	
Personnel services	222,619
Supplies	76,333
Other services and charges	71,212
Provision for bad debt	15,453
Depreciation	<u>67,103</u>
Total Operating Expenses	<u>452,720</u>
Operating Income (Loss)	<u>69,105</u>
Nonoperating revenues	
Interest income	93
Other income	12,710
Interest and service charges on long-term debt	<u>(44,129)</u>
Total nonoperating revenues	<u>(31,326)</u>
Net Income Before Operating Transfers	<u>37,779</u>
Net Income (Loss)	37,779
Retained Earnings October 1	<u>(499,347)</u>
Retained Earnings/Fund Balance September 30	<u>\$ (461,568)</u>

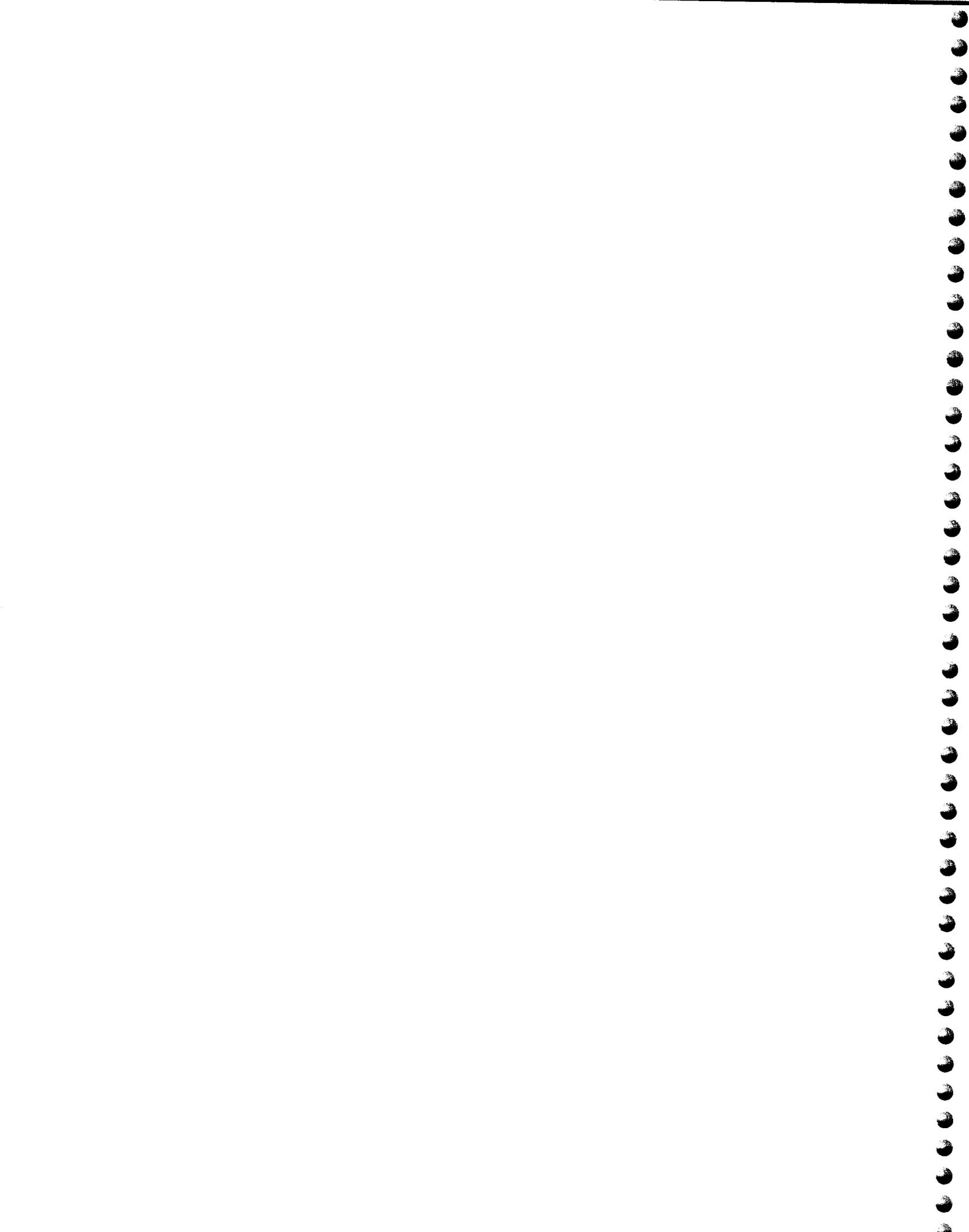
The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF FAYETTE, MISSISSIPPI
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended September 30, 2015

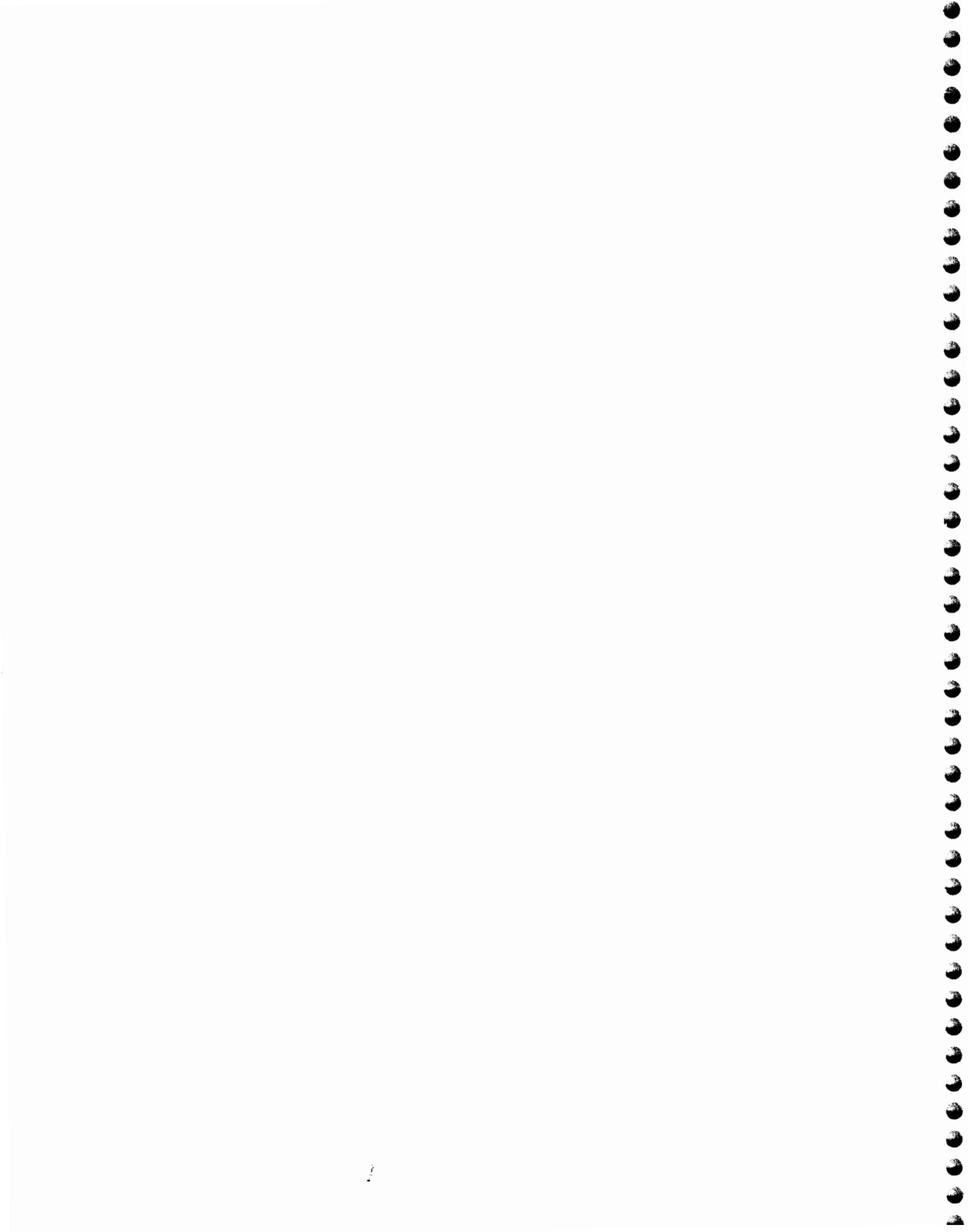
	<u>Business-Type Activities</u>
	<u>Water/Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 485,795
Receipts from other revenue	36,030
Payments to employees	(222,619)
Payments to suppliers	(162,998)
Net cash provided by (used for) operating activities	<u>136,208</u>
(Increase) Decrease in:	
Accounts receivable	(7,950)
Accounts receivable, other	175
Increase (Decrease) in:	
Accounts payable	11,303
Compensated absences payable	990
Customer's deposits	120
Accrued interest payable	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>140,846</u>
CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:	
NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(21,696)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(21,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Interest earned on account	93
Interest paid on retirement of long-term debt	(44,129)
Other income	12,710
Repayment of long-term debt	(91,579)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	<u>(122,905)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,755)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>36,604</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 32,849</u>
<u>Supplemental cash flow information:</u>	
Cash paid during the year:	
Interest Expense	<u>\$ 44,129</u>

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



CITY OF FAYETTE, MISSISSIPPI
Statement of Assets and Liabilities
Fiduciary Fund
For the Year Ended September 30, 2015

	<u>Agency Funds</u>
ASSETS	
Due from other funds	\$ <u>2,953</u>
Total Assets	\$ <u>2,953</u>
LIABILITIES	
Intergovernmental payables	\$ 7,511
Due to other funds	4,561
Internal balances	<u>(9,119)</u>
Total Liabilities	\$ <u>2,953</u>



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City's accompanying policies conform to generally accepted accounting principals for governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the City's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

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

BASIC FINANCIAL STATEMENTS

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

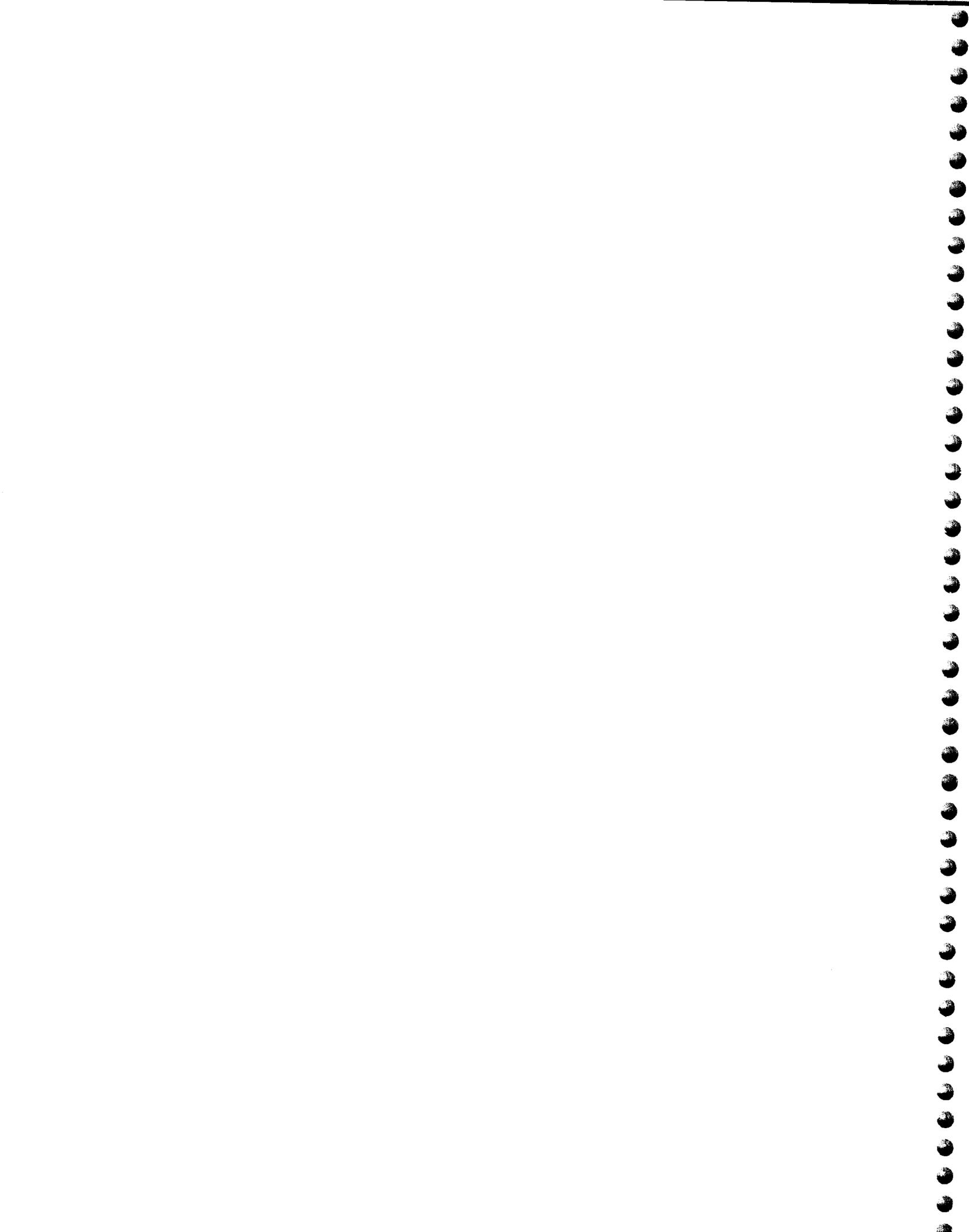
1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

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

FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

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

MAJOR BUSINESS- TYPE FUNDS

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

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

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

Fiduciary Funds

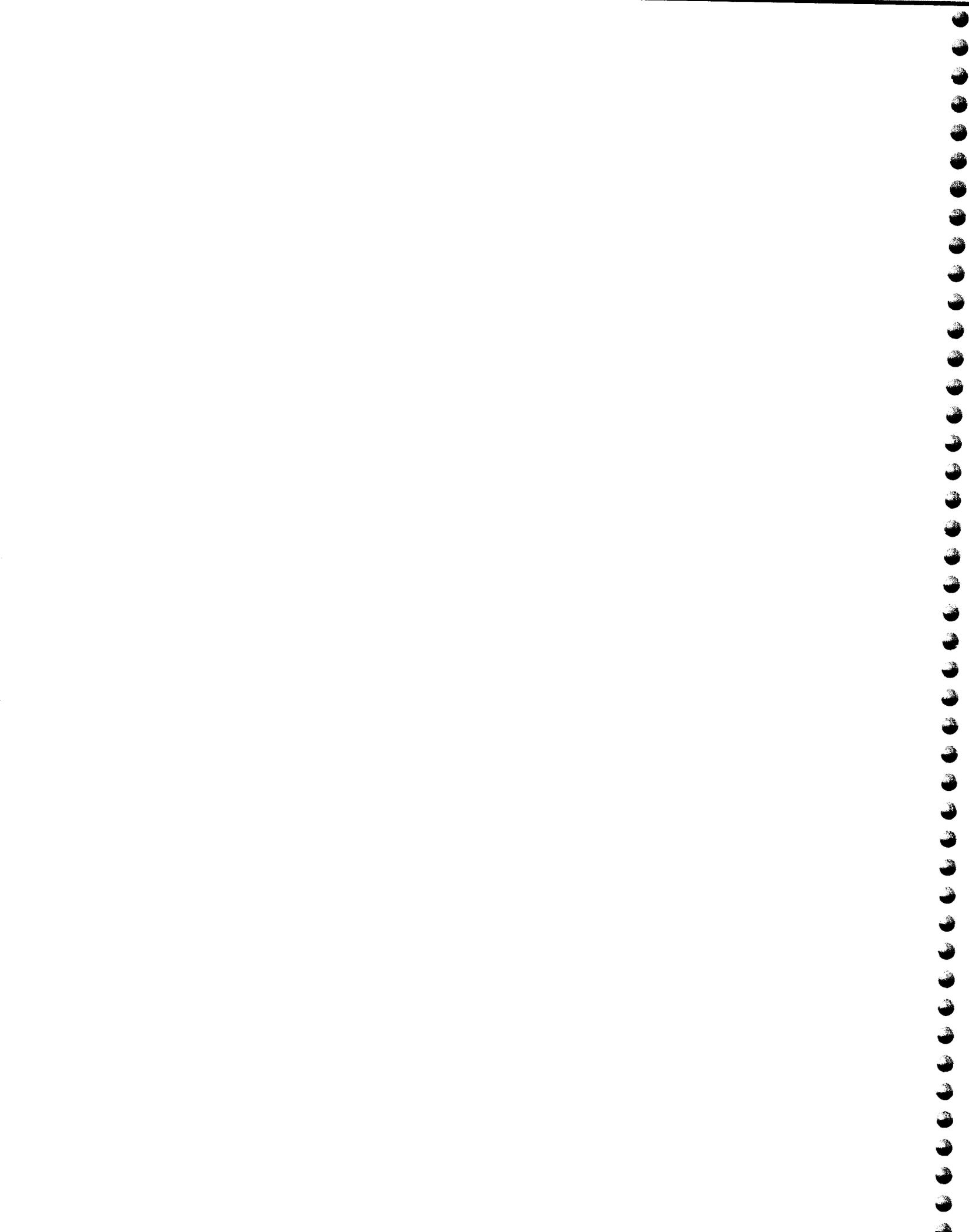
Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

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

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

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



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

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

Cash and Cash Equivalents

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

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

Investments

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

Investments are reported at fair value.

Receivables

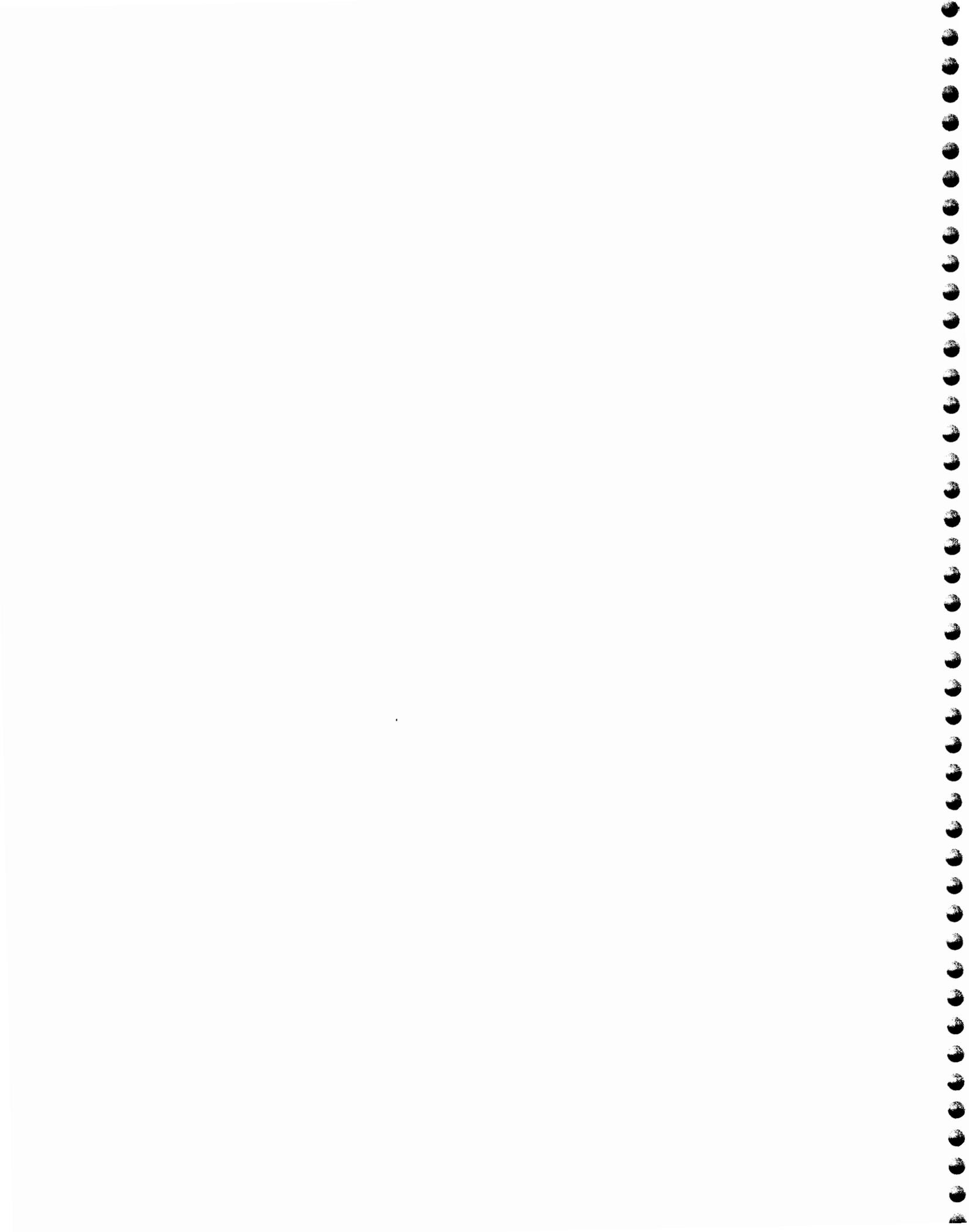
All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

INTERFUND TRANSACTIONS AND BALANCES

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

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

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



CITY OF FAYETTE, MISSISSIPPI
Notes to Financial Statements
September 30, 2015

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

INTERNAL ACTIVITY

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

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

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

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

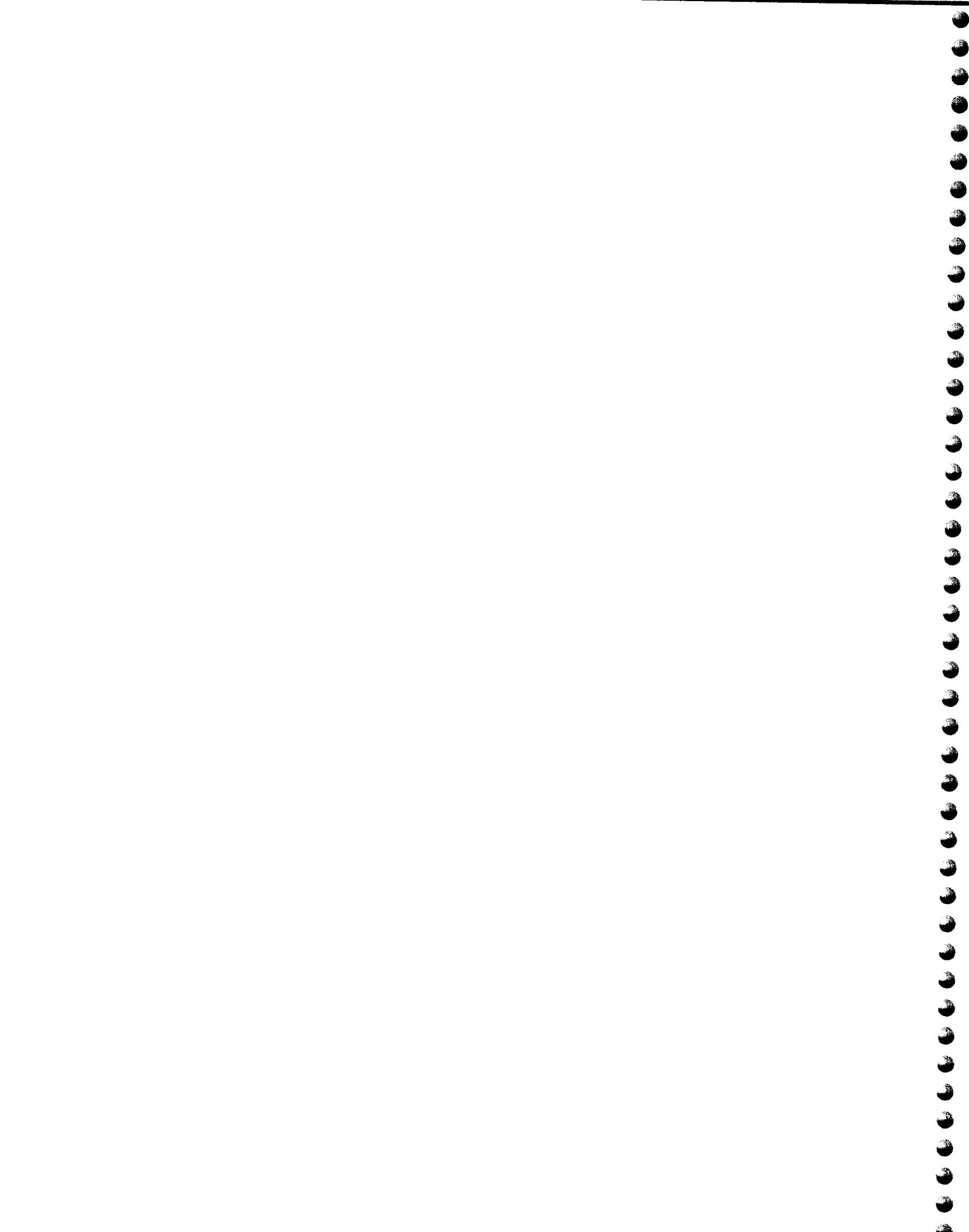
All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City.

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

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

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

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



CITY OF FAYETTE, MISSISSIPPI
Notes to Financial Statements
September 30, 2015

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

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

NOTE 2 - BUDGETARY CONTROL

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

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

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

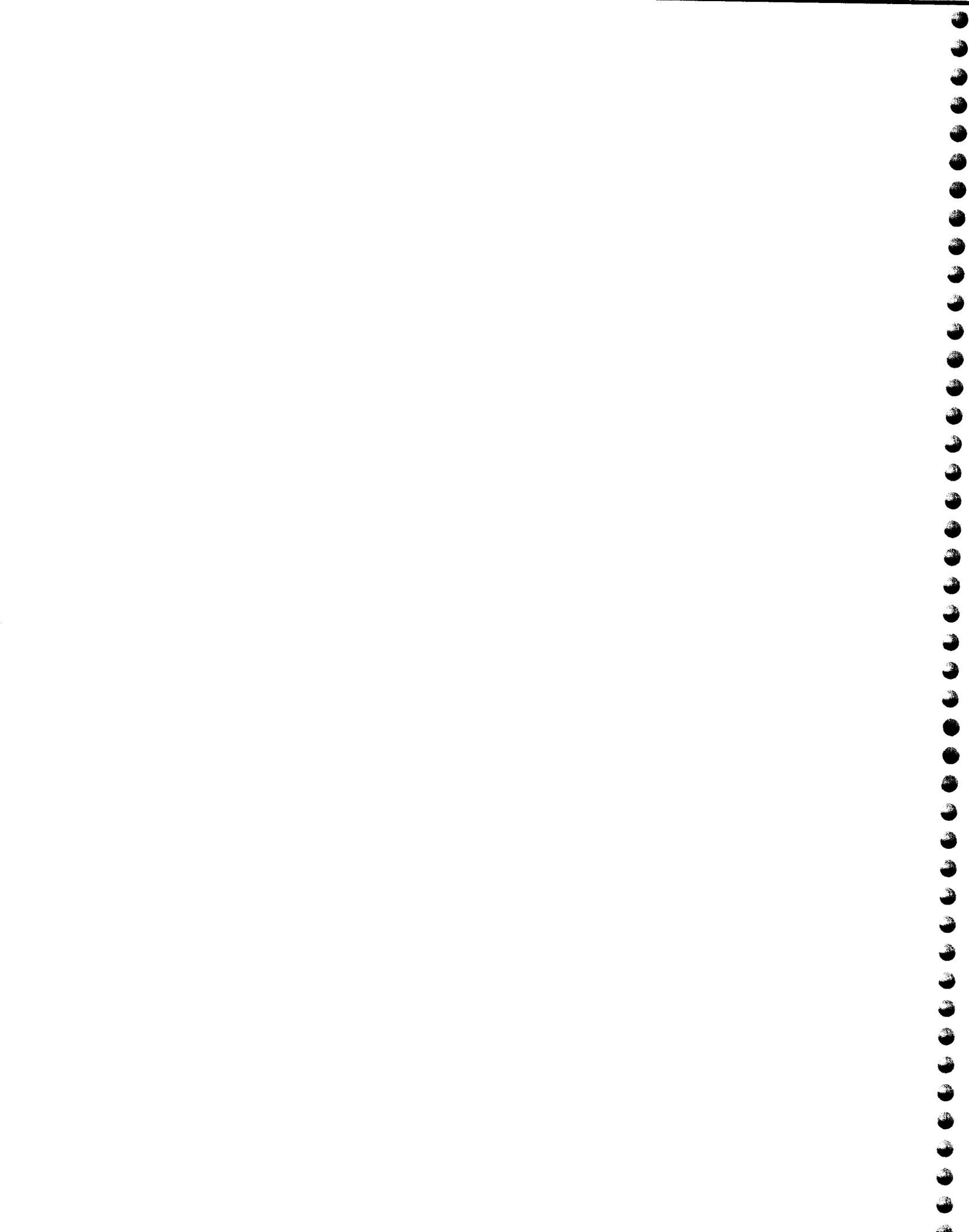
As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH AND CASH EQUIVALENTS

The collateral for public entities, deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds was \$133,740 and \$32,849, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$133,740 and Restricted Assets - \$32,849. The Restricted Assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the City's programs.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of *September 30, 2015*, none of the City's bank balance of \$192,613 was exposed to custodial credit risk.



CITY OF FAYETTE, MISSISSIPPI
Notes to Financial Statements
September 30, 2015

NOTE 4 - AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2015, the City levied and collected 46.48 mills of taxes for general corporate purposes of the City.

NOTE 5 - INTERFUND BALANCES

Individual fund interfund receivable and payable balances are presented as of September 30, 2015 as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 104,845	\$ -
Water/Sewer System Fund	15	103,749
Fiduciary Fund	2,953	4,561
Non Major Fund		
Sanitation Fund	4,561	1,111
Fire Fund	-	2,953
Total	<u>\$ 112,374</u>	<u>\$ 112,374</u>

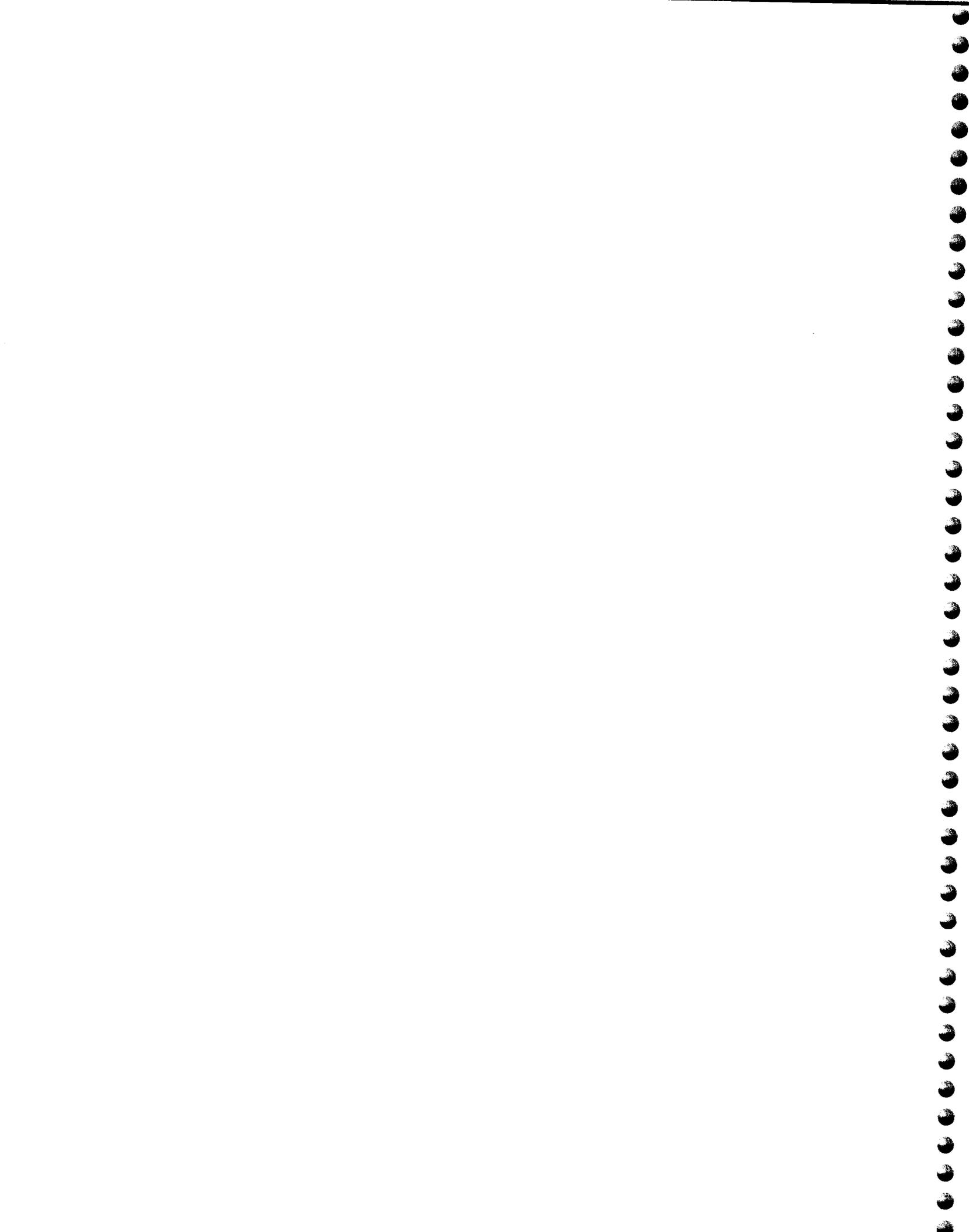
Individual fund interfund transfers are presented as of September 30, 2015 as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$ 15,164
Non Major Fund:		
Sanitation Fund	<u>15,164</u>	<u>-</u>
Total	<u>\$ 15,164</u>	<u>\$ 15,164</u>

NOTE 6 - RECEIVABLES

Receivables at September 30, 2015 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable				
Charges for services	\$ -	\$ -	\$ 396,716	\$ 396,716
Franchise taxes	4,949	-	-	4,949
Property taxes	4,568	-	-	4,568
Accounts receivable, other	<u>66,685</u>	<u>1,083</u>	-	<u>67,768</u>
Total accounts receivable	<u>76,202</u>	<u>1,083</u>	<u>396,716</u>	<u>474,001</u>
Due From Other Governments				
Sales Taxes	<u>18,541</u>	-	-	<u>18,541</u>
Total due from other governments	<u>18,541</u>	-	-	<u>18,541</u>
Less: allowance for uncollectibles	-	-	(290,393)	(290,393)
Receivables, net of allowance	<u>\$ 94,743</u>	<u>\$ 1,083</u>	<u>\$ 106,323</u>	<u>\$ 202,149</u>



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

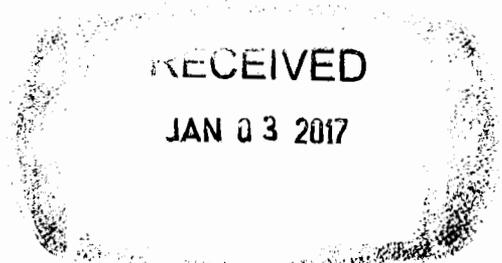
NOTE 7 - CAPITAL ASSETS

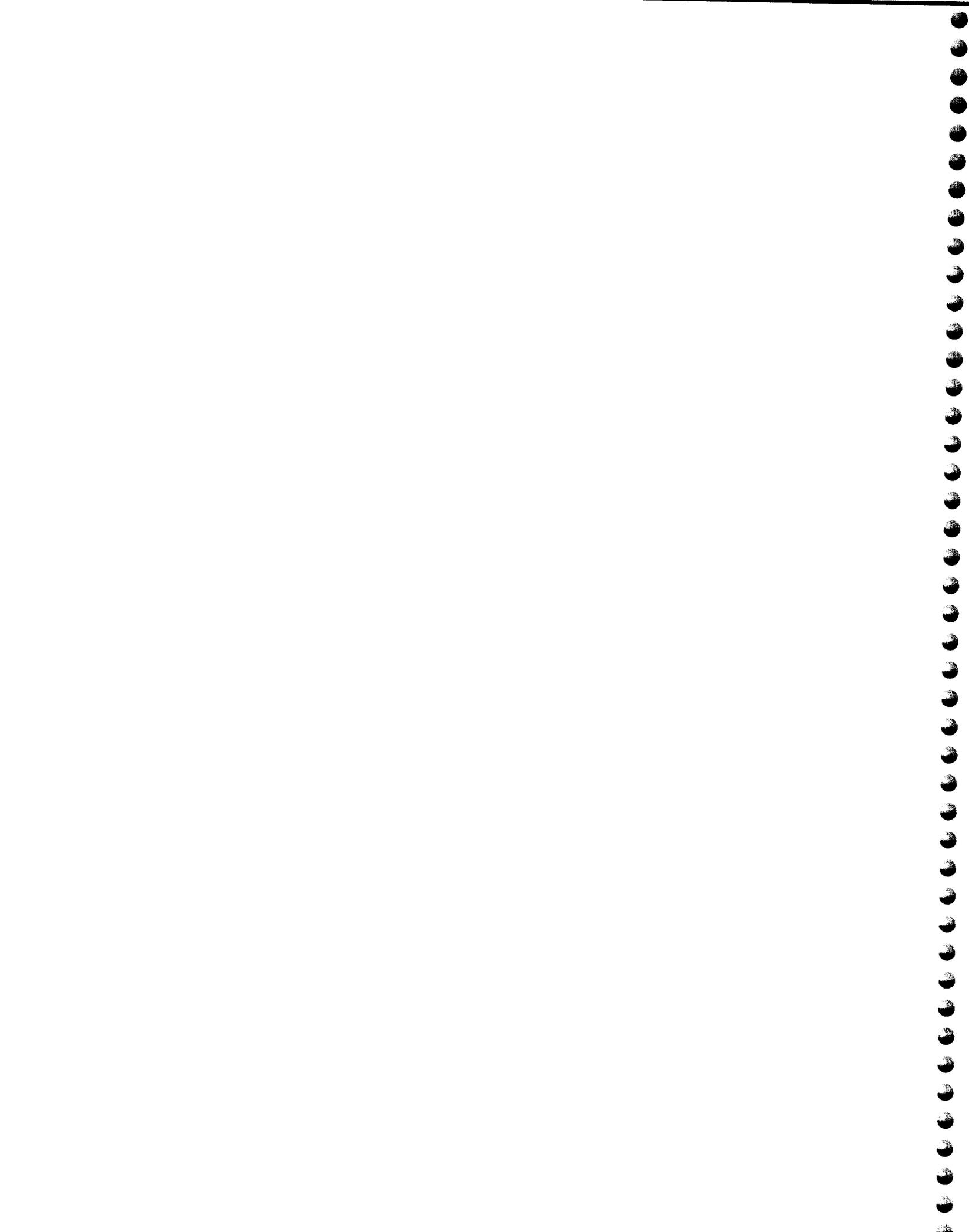
A summary of general fixed asset transactions for the year ended September 30, 2015 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non Depreciable Capital Assets				
Construction in process	\$ 601,412	-	-	\$ 601,412
Total non depreciable capital assets	<u>601,412</u>	<u>-</u>	<u>-</u>	<u>601,412</u>
Depreciable Capital Assets				
Buildings and Improvements	273,591	-	-	273,591
Automotive and equipment	319,293	-	-	319,293
Machinery and Equipment	128,708	-	-	128,708
Total depreciable capital assets	721,592	-	-	721,592
Accumulated Depreciation	(527,847)	(23,759)	-	(551,606)
Net depreciable capital assets	193,745	(23,759)	-	169,986
Total Governmental Activities	<u>\$ 795,157</u>	<u>(23,759)</u>	<u>-</u>	<u>\$ 771,398</u>
Business-Type Activities:				
Non Depreciable Capital Assets				
Land and Right of Ways	\$ 6,120	-	-	\$ 6,120
Total nondepreciable capital assets	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Depreciable Capital Assets				
Building	27,500	-	-	27,500
Water/Sewer system	4,623,214	-	-	4,623,214
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	211,283	21,696	-	232,979
Total depreciable capital assets	4,996,196	21,696	-	5,017,892
Accumulated Depreciation	(4,567,147)	(67,103)	-	(4,634,250)
Net depreciable capital assets	429,049	(45,407)	-	383,642
Total Business-Type Activities	<u>\$ 435,169</u>	<u>(45,407)</u>	<u>-</u>	<u>\$ 389,762</u>

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

	Governmental Activities	Business-Type Activities	Total
Finance & Administrative	\$ 3,873	-	\$ 3,873
Fire Protection	3,140	-	3,140
Police Protection	9,072	-	9,072
Parks and Recreation	7,494	-	7,494
Water/Sewer System	-	67,103	67,103
Total Depreciation Expense	<u>\$ 23,579</u>	<u>67,103</u>	<u>\$ 90,682</u>





CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

NOTE 8 - LONG-TERM DEBT

Governmental Activities

A summary of long-term debt transactions for the year ended September 30, 2015, were as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 4,870	7,456	(9,481)	\$ 2,845	\$ 1,423
Total	<u>\$ 4,870</u>	<u>7,456</u>	<u>(9,481)</u>	<u>\$ 2,845</u>	<u>\$ 1,423</u>

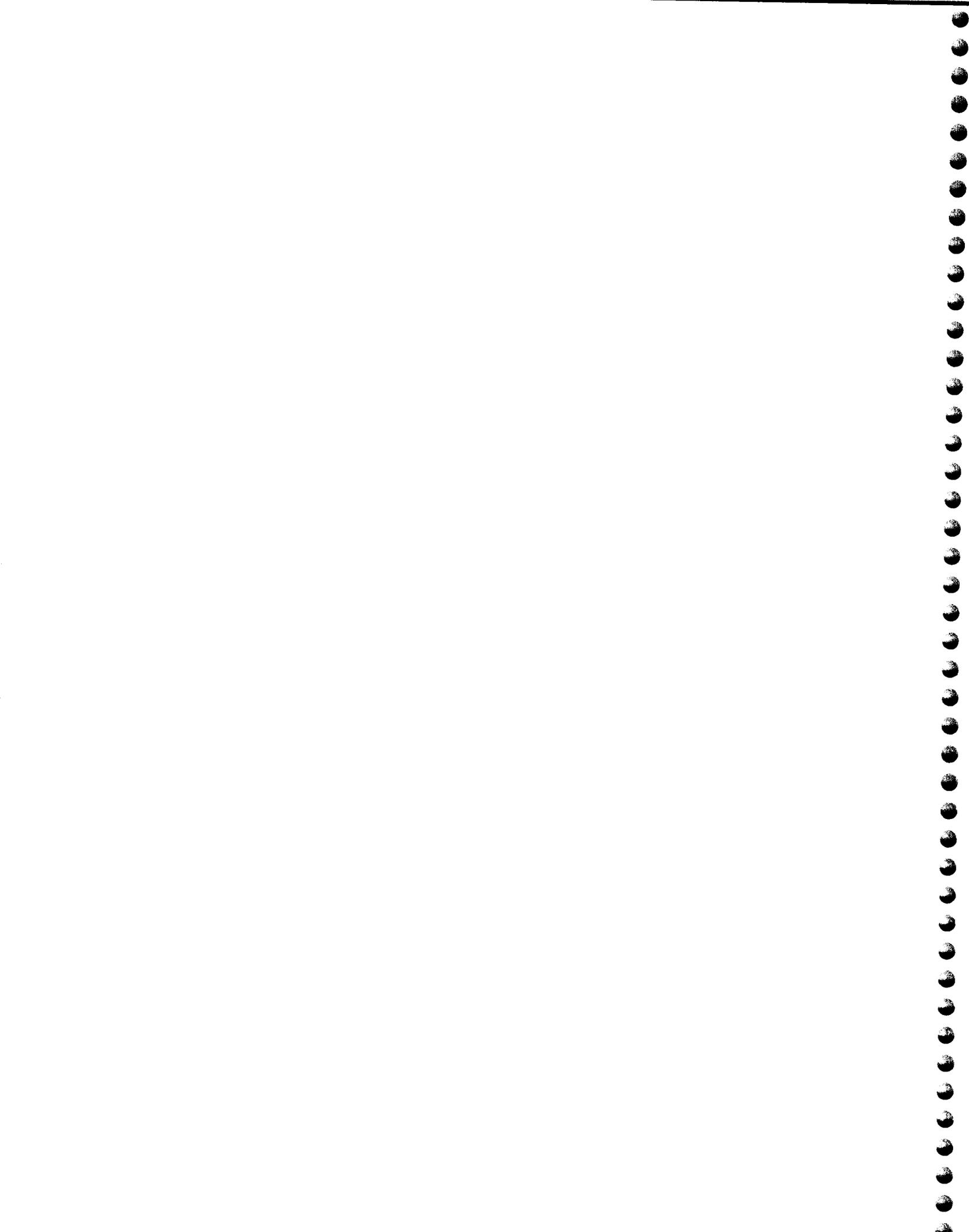
Business-Type Activities

Long-term debt activity for the year ended September 30, 2015, is presented as follows:

Business -type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 908,975	-	(91,580)	\$ 817,395	\$ 100,005
Compensated absences	<u>2,325</u>	<u>12,465</u>	<u>(9,149)</u>	<u>5,641</u>	<u>2,820</u>
Totals	<u>\$ 911,300</u>	<u>12,465</u>	<u>(100,729)</u>	<u>\$ 823,036</u>	<u>\$ 102,825</u>

Revenue Bond

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



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

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

This bond was purchased by the USDA Rural Development Administration.

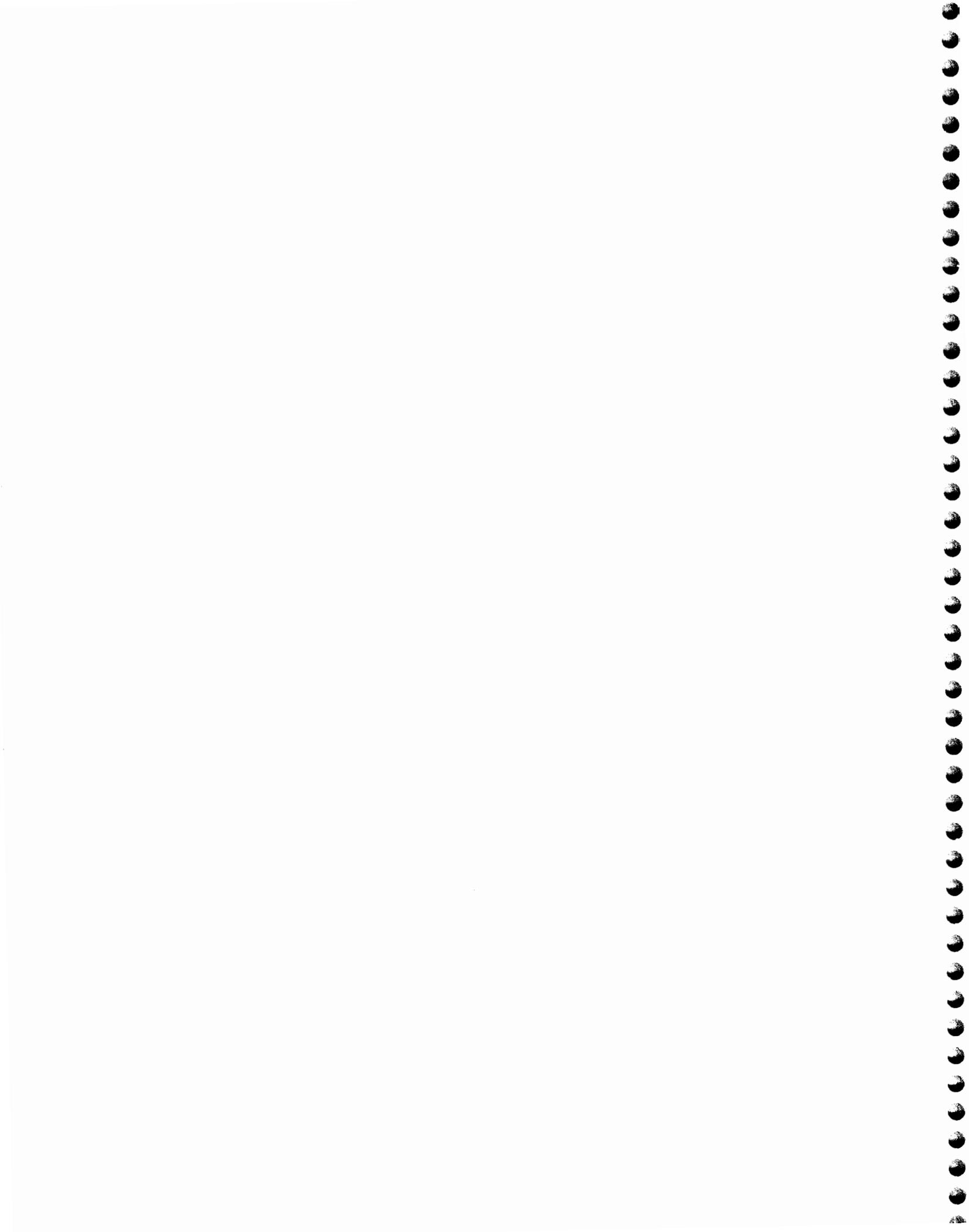
The annual requirement to amortize all bonded debt outstanding as of September 30, 2015 including interest payments of \$80,232 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 69,277	10,955	\$ 80,232
2017	72,821	7,411	80,232
2018	76,547	3,685	80,232
2019	<u>34,863</u>	<u>368</u>	<u>35,231</u>
	<u>\$ 253,508</u>	<u>\$ 22,419</u>	<u>\$ 275,927</u>

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

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

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



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

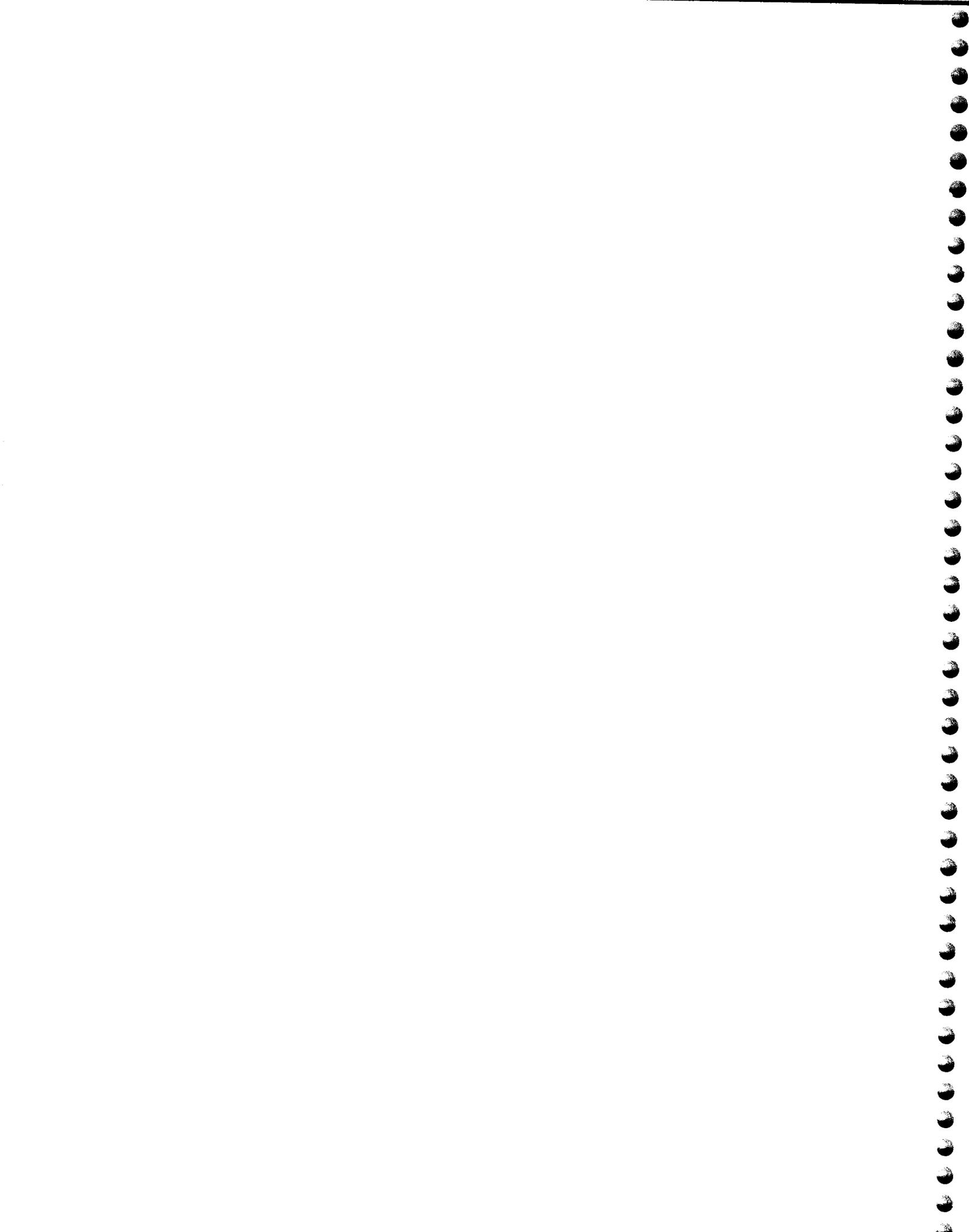
The annual requirement to amortize the bonded debt outstanding as of September 30, 2015 including interest payments of \$825,881 are as follows for the Enterprise Fund:

Year Ended September 30,	<u>Water Bond</u>		<u>Sewer Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 26,231	21,012	4,496	\$ 3,736
2017	27,437	19,807	4,703	3,529
2018	28,697	18,546	4,919	3,313
2019	30,016	17,228	5,145	3,087
2020	31,395	15,849	5,381	2,851
2021 to 2025	179,978	56,242	30,850	10,310
2026 to 2029	<u>155,077</u>	<u>13,036</u>	<u>29,562</u>	<u>2,742</u>
	<u>\$ 478,831</u>	<u>161,720</u>	<u>85,056</u>	<u>\$ 29,568</u>

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The City adopted GASB Statement 54 during the year ended September 30, 2015 as such, fund balance of the governmental funds are classified by specific purpose as follows:

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



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

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

Fund Balances:	General Fund	Nonmajor Funds	Total
Restricted for:			
Public safety	\$ -	41,040	\$ 41,040
Parks and recreations	-	33,024	33,024
Unassigned:			
Other purposes	<u>279,137</u>	<u>(8,016)</u>	<u>271,121</u>
Total Fund Balances	<u>\$ 279,137</u>	<u>66,048</u>	<u>\$ 345,185</u>

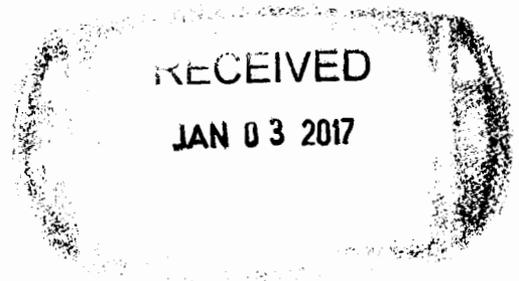
NOTE 10 - DEFINED BENEFIT PENSION PLANS

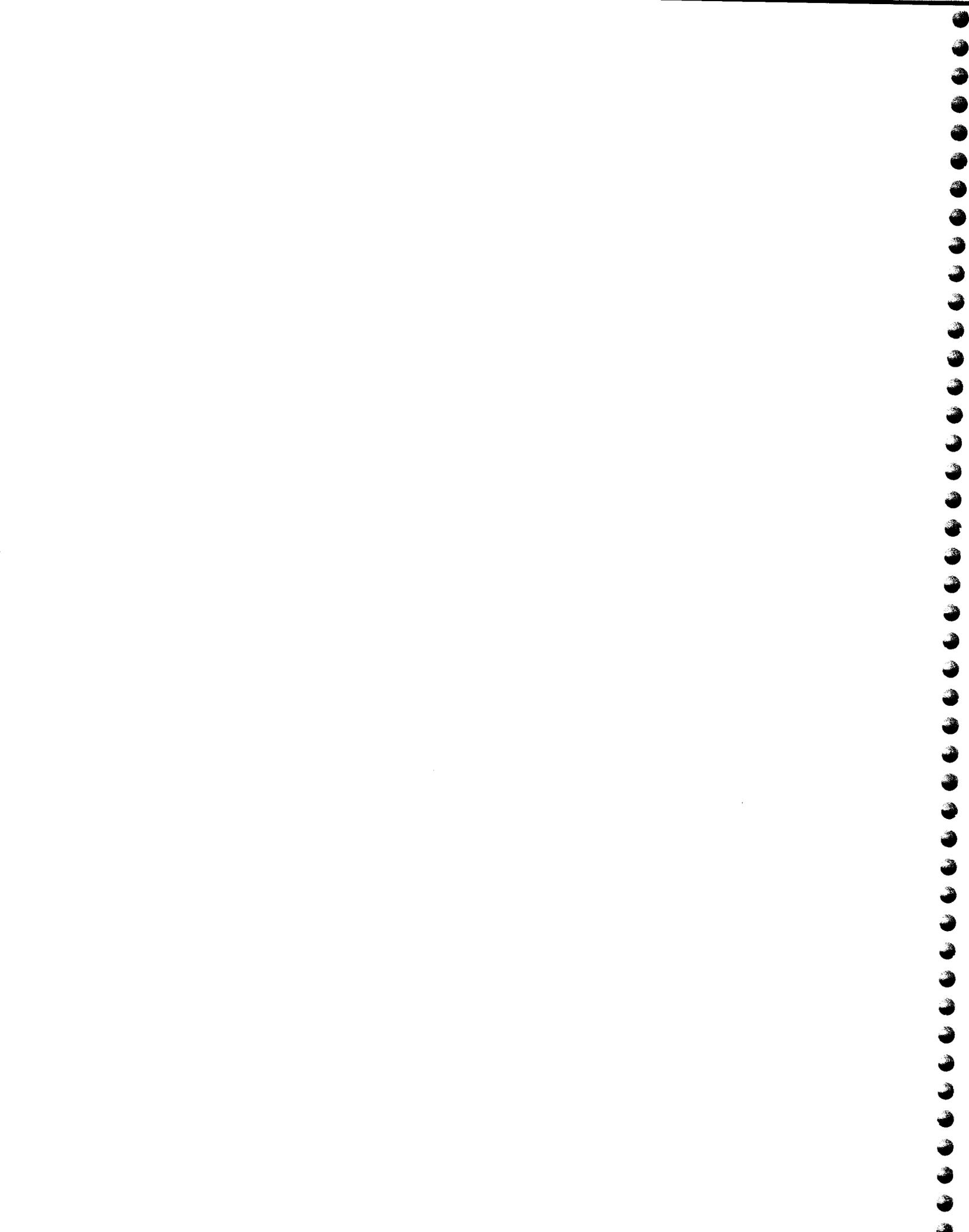
The City does not offer any type of retirement or pension plan to its employees.

NOTE 11 - COMPENSATION OF ELECTED OFFICIALS

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2015 were as follows:

City Official	Position	Amount
Rogers King	Mayor	\$ 20,988
Kenneth Coffie	Alderman	6,000
Marcus Walton	Alderman	6,000
Arnold E. Clark, Jr.	Alderman	6,000
Deliquin D. James, Sr.	Alderman	6,000
Cedric W. Doss	Alderman	6,000
Hattie Davis	City Clerk	32,266
Denise Wilson	Deputy City Clerk	14,828
Litricia King	Deputy City Clerk	23,808
David Houston	Police Chief	34,644





CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The City has been named as a defendant in several lawsuits as of September 30, 2015. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the City's liability. Losses, if any, are not expected to exceed available insurance coverage.

NOTE 13 - RESERVED FUND BALANCES AND RETAINED EARNINGS

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 15 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

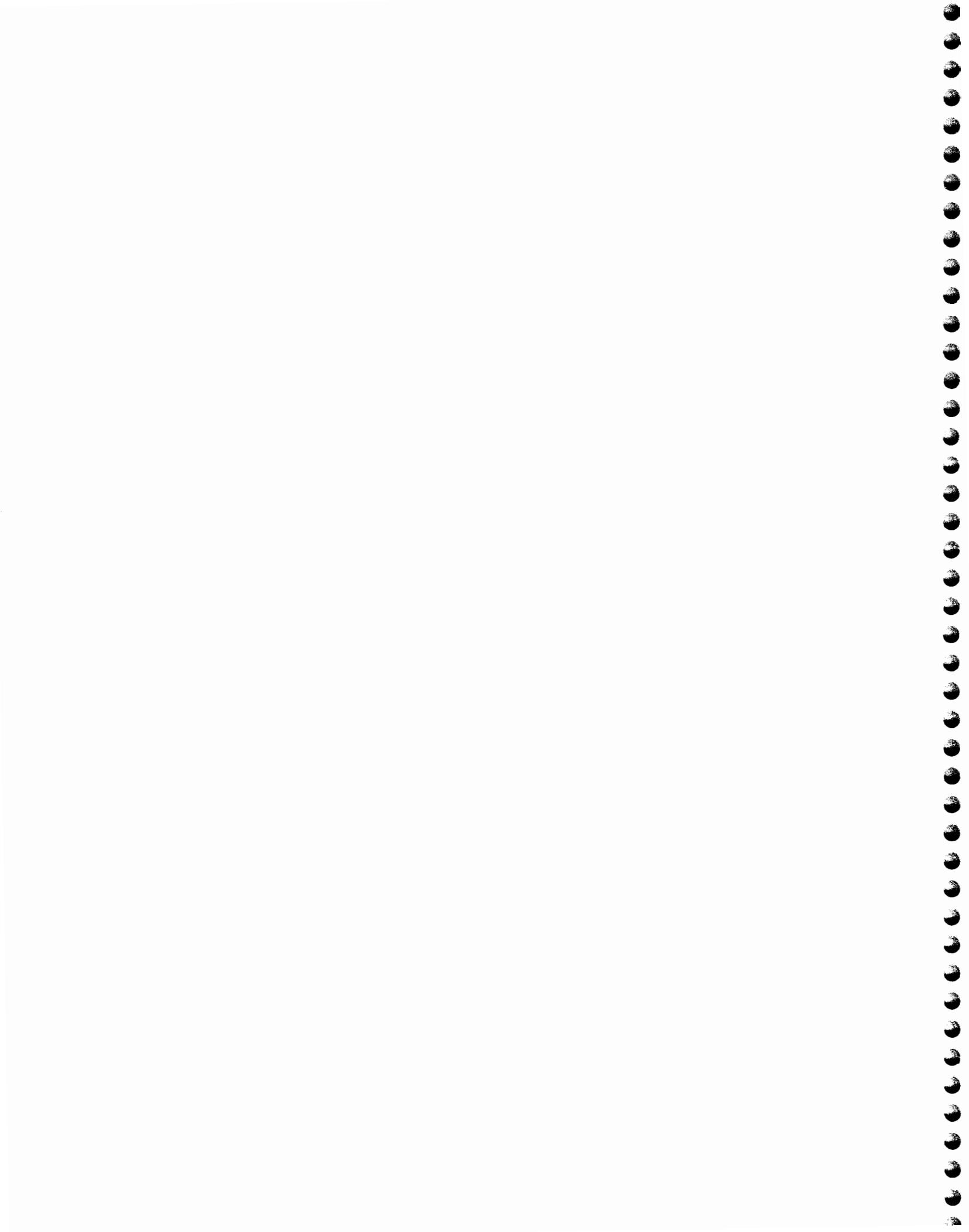
Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Alderwomen. At fiscal year-end, the receivable represent delinquent taxes.

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

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

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 1, 2016, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.



CITY OF FAYETTE, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

NOTE 17 - NEW ACCOUNTING STANDARDS

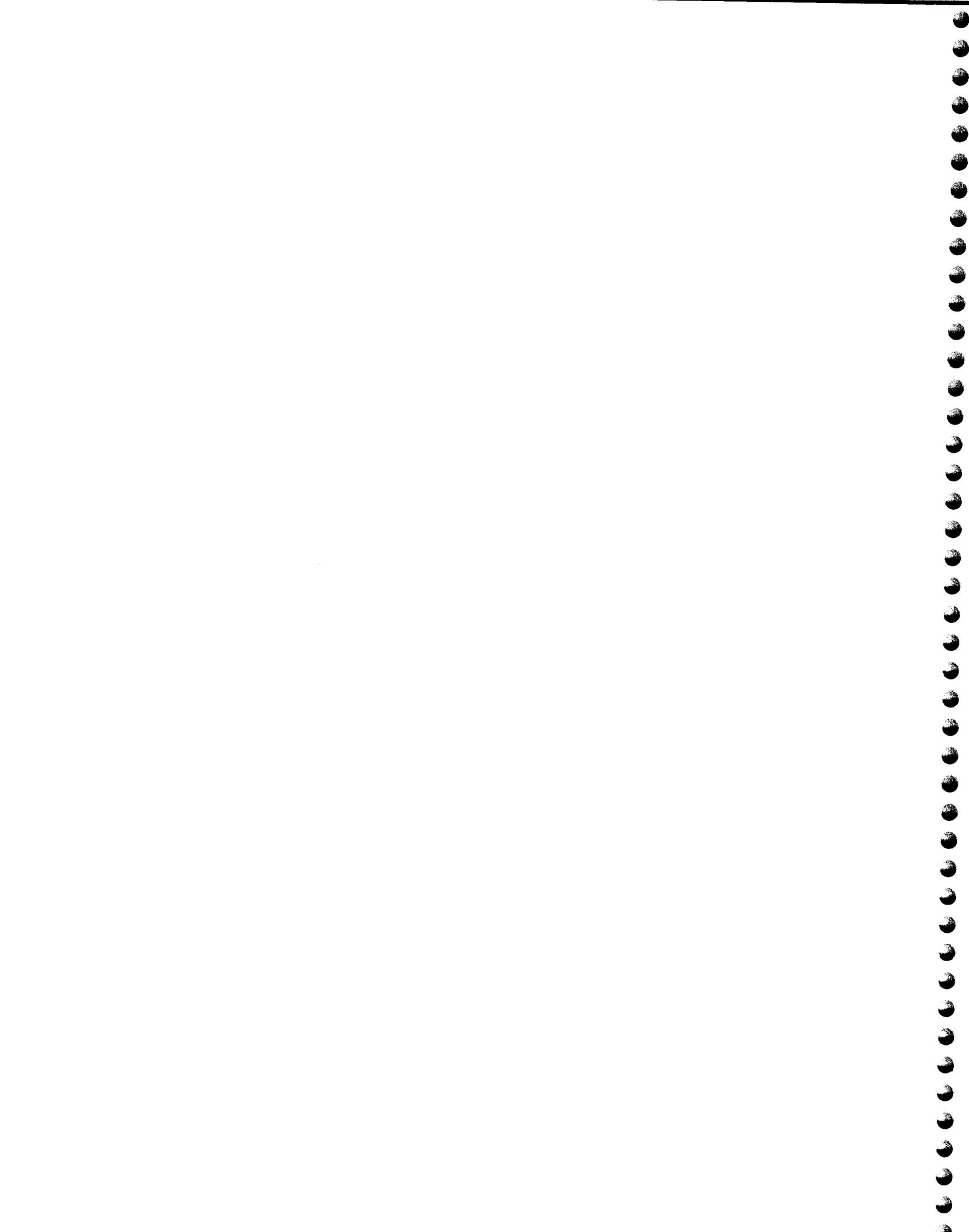
The City will adopt the following new accounting pronouncements in future years:

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

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

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

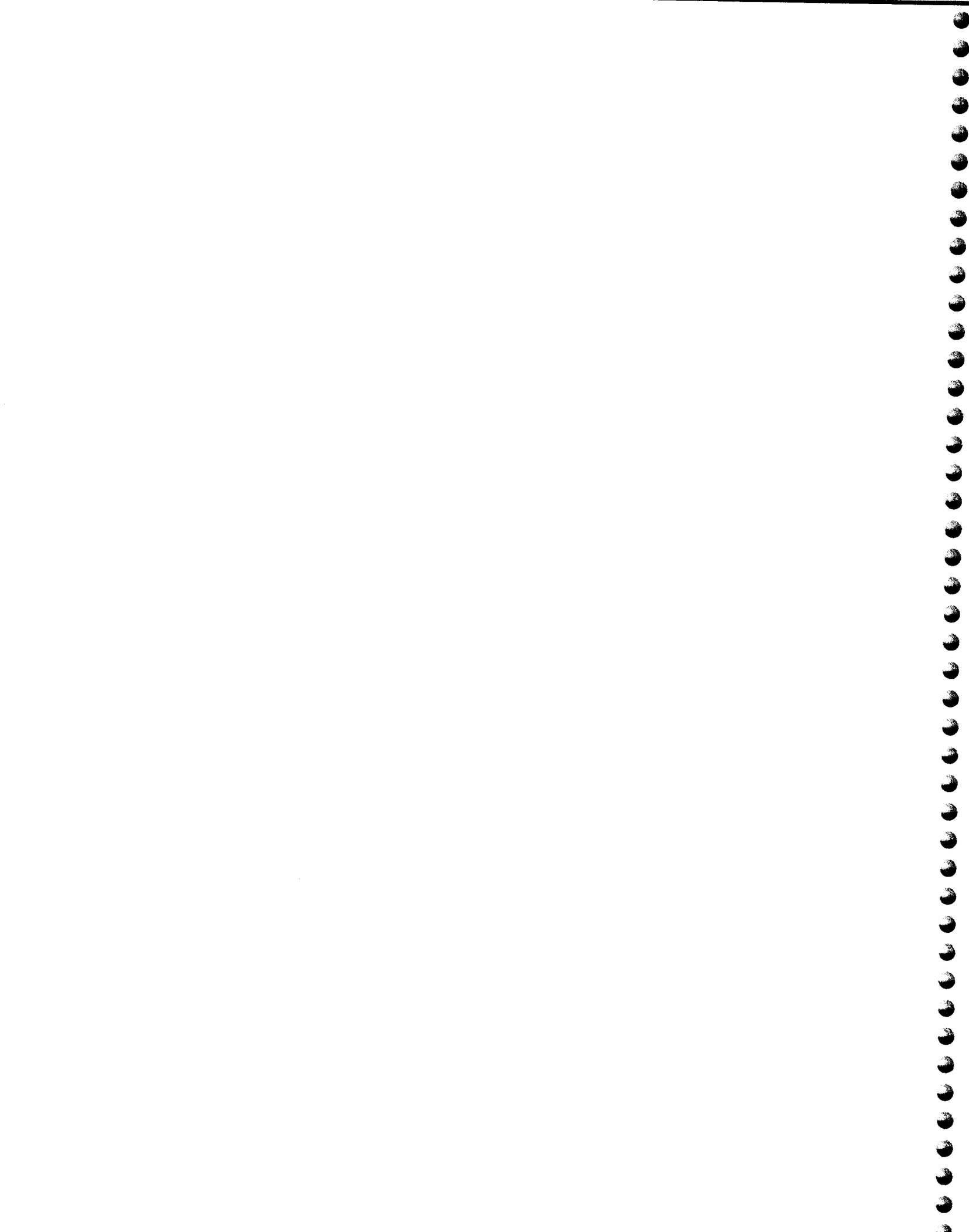
The impact of these pronouncements on the City's financial statements has not been determined.



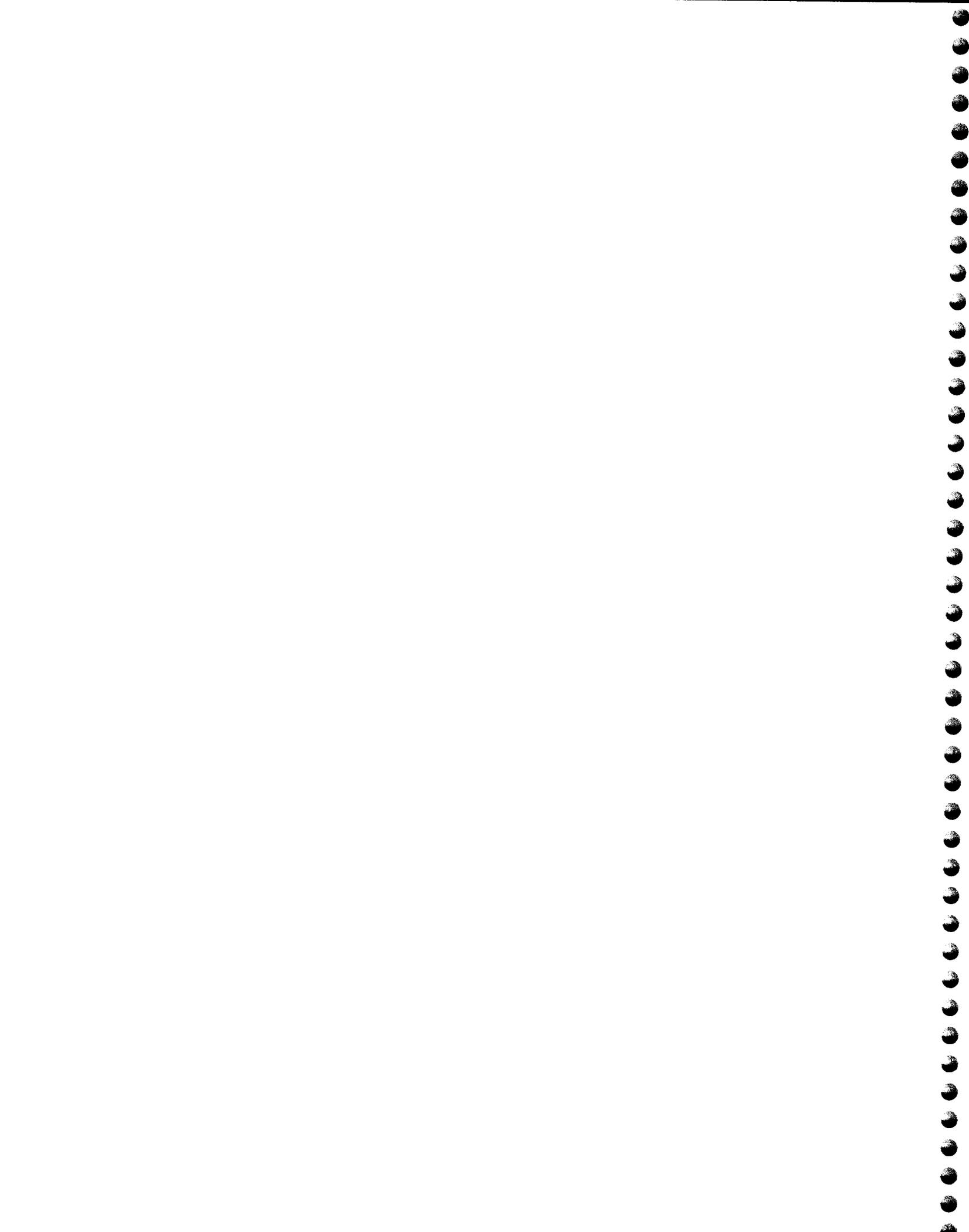
CITY OF FAYETTE, MISSISSIPPI

SUPPLEMENTARY INFORMATION

September 30, 2015



COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS-NONMAJOR GOVERNMENTAL FUNDS



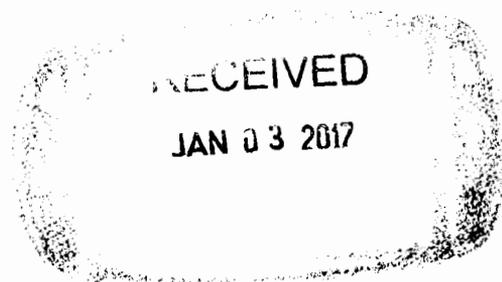
CITY OF FAYETTE, MISSISSIPPI
Nonmajor Governmental Funds
September 30, 2015

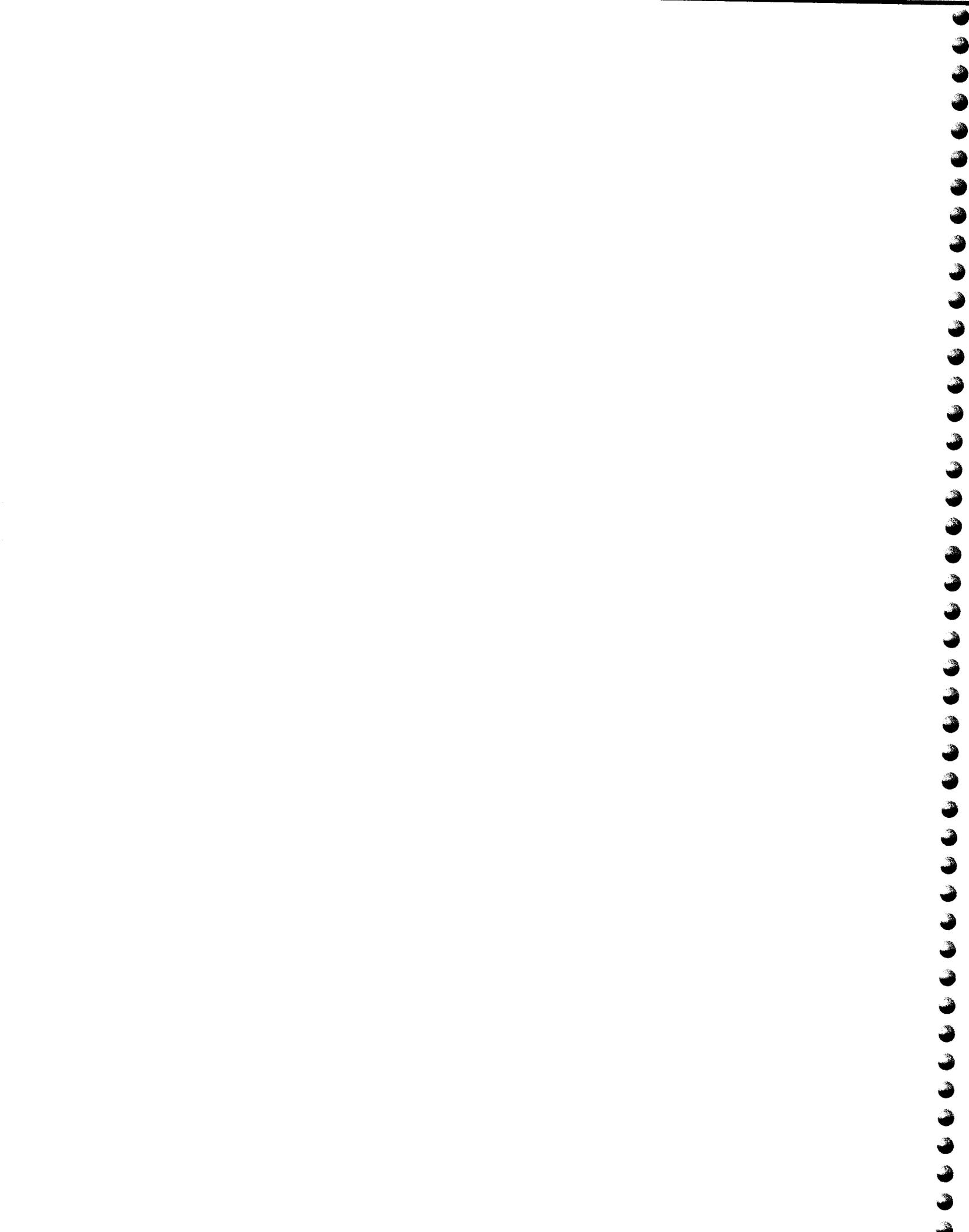
SPECIAL REVENUE FUNDS

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

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

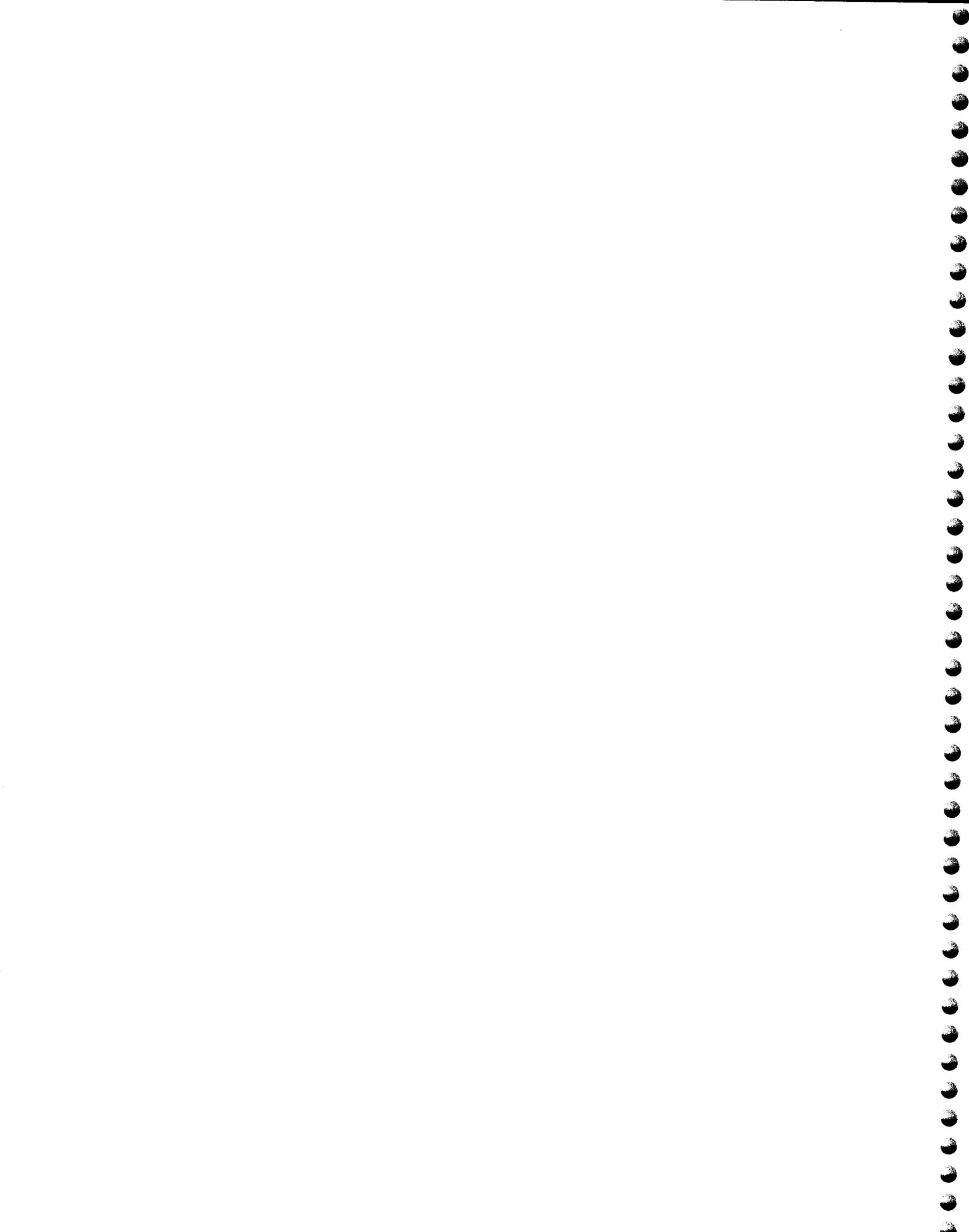
Garbage Fund - This fund is used to account for the charges for services which include the collection of garbage.





CITY OF FAYETTE, MISSISSIPPI
 Combined Balance Sheet
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2015

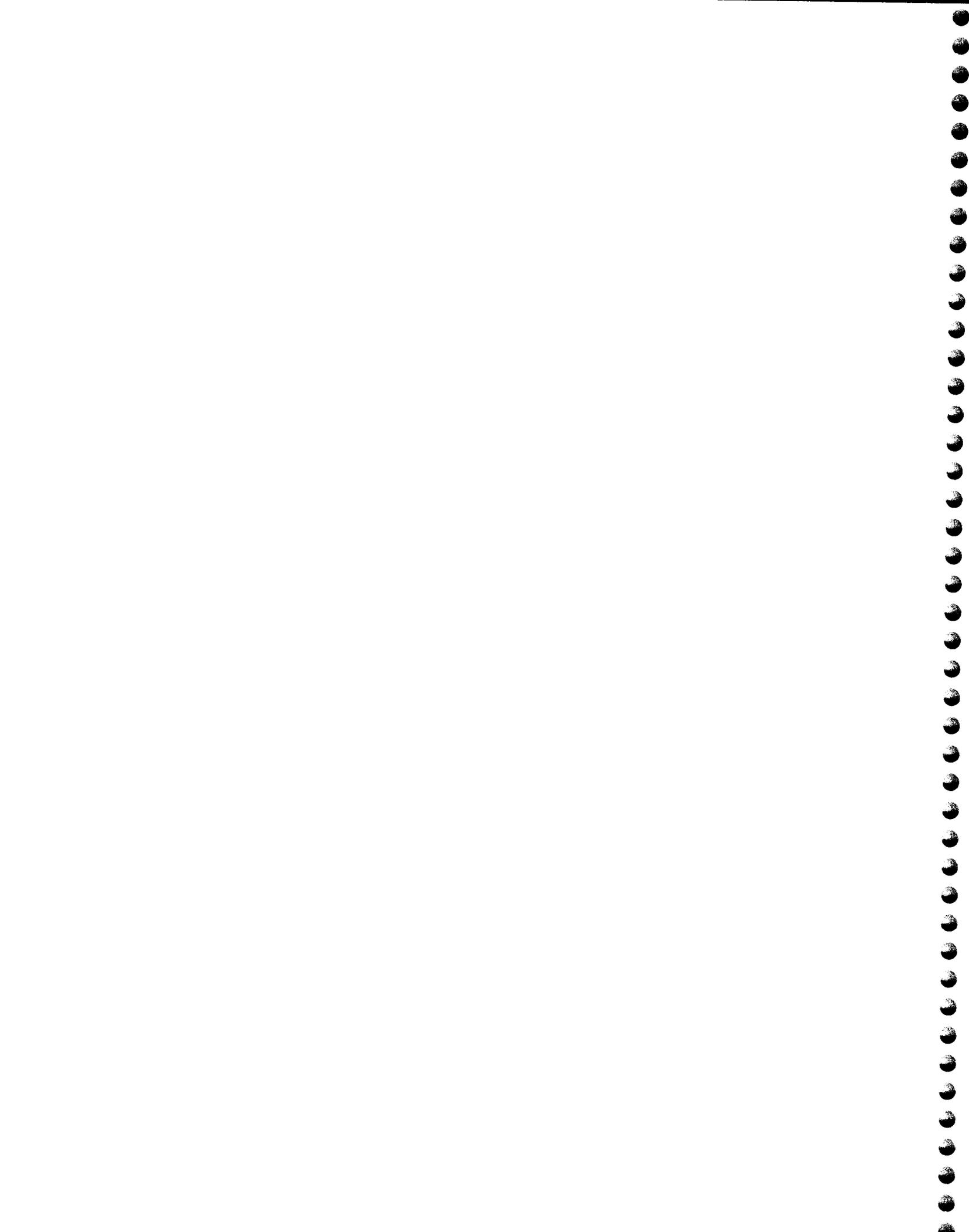
	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
ASSETS			
Cash	\$ 43,993	2,283	\$ 46,276
Accounts receivable	-	1,083	1,083
Due from other funds	-	4,561	4,561
TOTAL ASSETS	\$ 43,993	7,927	\$ 51,920
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payables	\$ -	9,632	\$ 9,632
Payroll taxes payable	-	5,200	5,200
Due to other funds	2,953	1,111	4,064
Total Liabilities	2,953	15,943	18,896
Fund Balances:			
Restricted	41,040	-	41,040
Unassigned	-	(8,016)	(8,016)
Total Fund Balances	41,040	(8,016)	33,024
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,993	7,927	\$ 51,920



SCHEDULE B

CITY OF FAYETTE, MISSISSIPPI
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year ended September 30, 2015

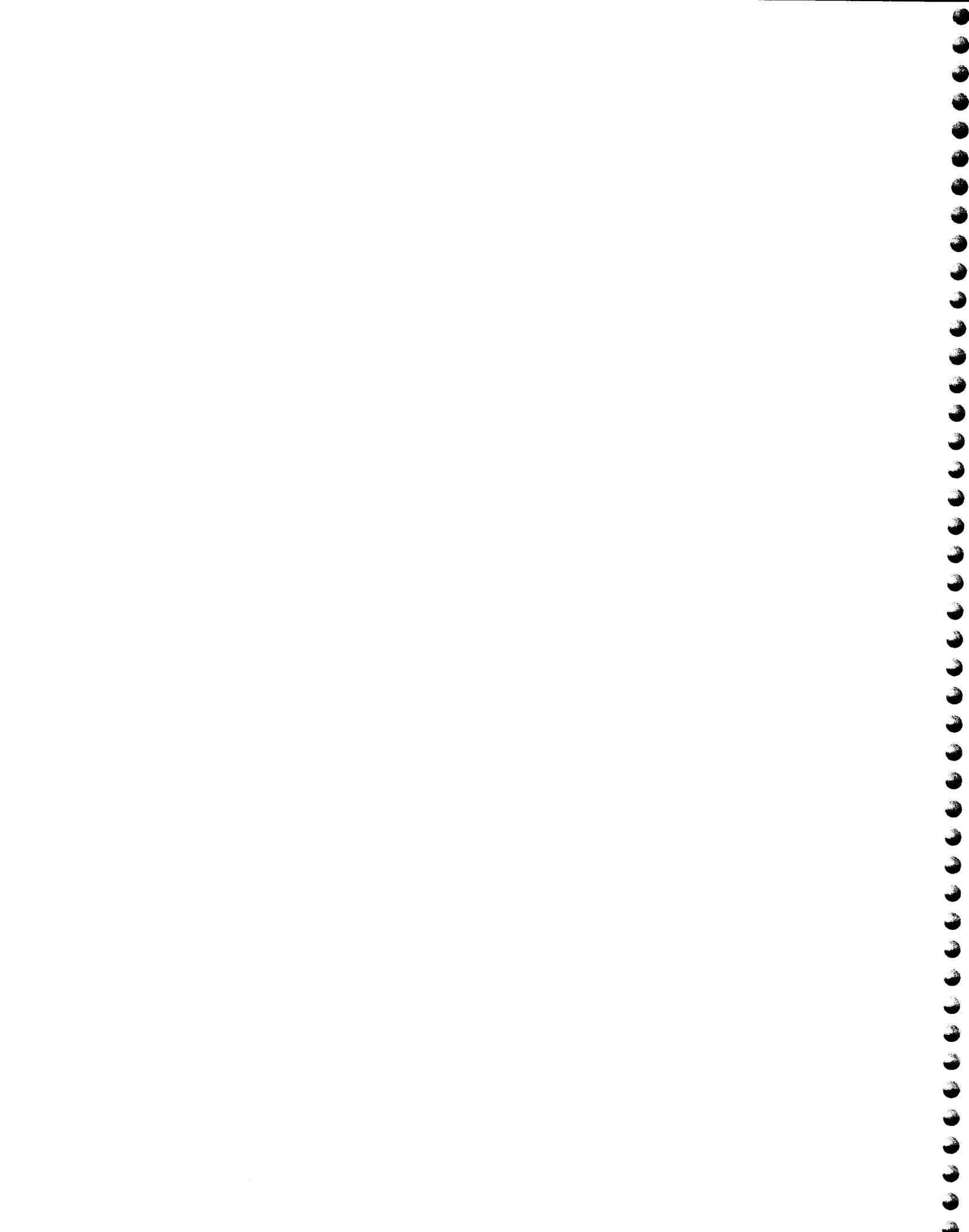
	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
Revenues			
Intergovernmental revenues	\$ 8,782	-	\$ 8,782
Charges for services	-	37,826	37,826
Interest income	93	-	93
Total Revenues	<u>8,875</u>	<u>37,826</u>	<u>46,701</u>
EXPENDITURES:			
Public safety	1	-	1
Sanitation	-	49,084	49,084
Parks and recreations	-	-	-
Total Expenditures	<u>1</u>	<u>49,084</u>	<u>49,085</u>
Excess of Revenues Over (Under Expenditures	<u>8,874</u>	<u>(11,258)</u>	<u>(2,384)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	15,164	15,164
Total Other Financing Sources (Uses)	<u>-</u>	<u>15,164</u>	<u>15,164</u>
Net Change in Fund Balance	8,874	3,906	12,780
Fund Balance, October 1, 2014	32,166	(11,922)	20,244
Fund Balance, September 30, 2015	<u>\$ 41,040</u>	<u>(8,016)</u>	<u>\$ 33,024</u>



SCHEDULE C

CITY OF FAYETTE, MISSISSIPPI
 Schedule of Cash Receipts and Disbursements
 Reserve Accounts Required by Rural Development
 Enterprise Fund
 Year Ended September 30, 2015

	<u>Depreciation Fund</u>	<u>Contingency Fund</u>	<u>Bond Cushion Fund</u>	<u>Total</u>
Cash and investment at beginning of year	\$ <u>9,475</u>	<u>9,475</u>	<u>17,654</u>	\$ <u>36,604</u>
Cash Receipts:				
Interest income	<u>24</u>	<u>24</u>	<u>37</u>	<u>85</u>
Total Receipts	<u>24</u>	<u>24</u>	<u>37</u>	<u>85</u>
Total cash and investments available	<u>9,499</u>	<u>9,499</u>	<u>17,691</u>	<u>36,689</u>
Cash Disbursements:				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>3,840</u>	<u>3,840</u>
Total cash disbursements	<u>-</u>	<u>-</u>	<u>3,840</u>	<u>3,840</u>
Cash and Investment at End of Year	\$ <u>9,499</u>	<u>9,499</u>	<u>13,851</u>	\$ <u>32,849</u>





**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

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

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

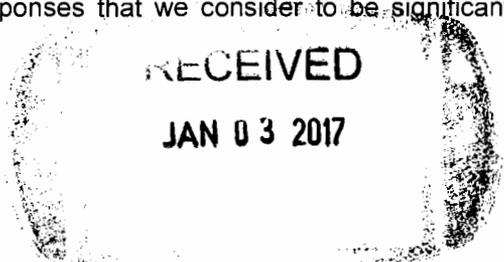
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Fayette, Mississippi's basic financial statements and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2015-01 and 2015-02)





Compliance and Other Matters

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

City of Fayette's Response to Findings

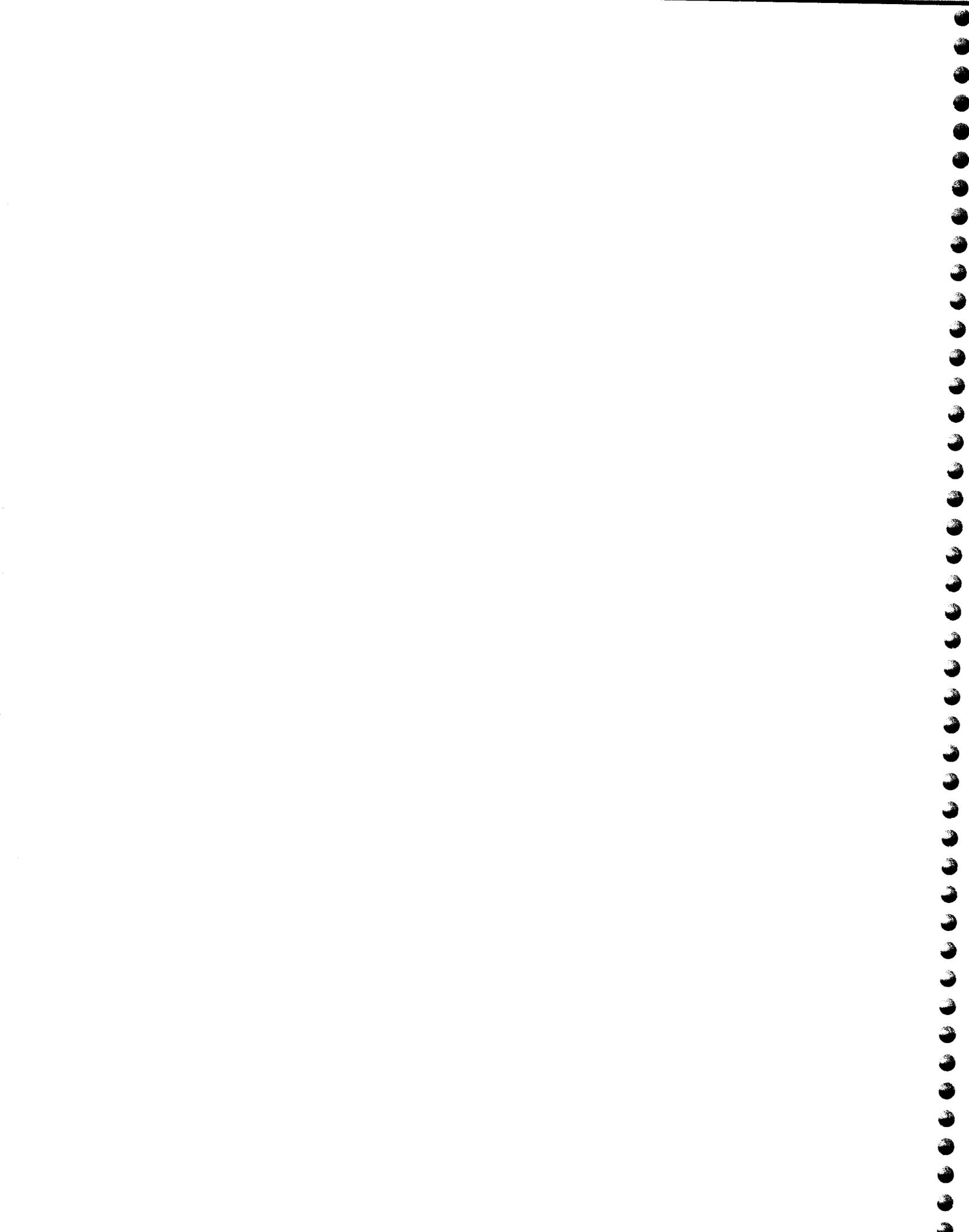
The City of Fayette, Mississippi response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Fayette, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly,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

Purpose of this Report

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

Banks Finley White & Co.

Jackson, Mississippi
December 1, 2016



CITY OF FAYETTE, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2015

Prior year audit findings are listed below as follows:

Finding 2011-01, 2012-01, 2013-01, 2014-01- Preparation of Annual Financial Statements

Current Status - Not corrected, repeated finding

Finding 2009-1, 2010-2, 2011-02, 2012-02, 2013-02, 2014-01 - Collection of Utility Accounts Receivable

Current Status - *Not corrected, repeated finding*



CITY OF FAYETTE, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2015

Finding 2015-01

Preparation of Annual Financial Statements

Finding

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

Auditor's Recommendation

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

Auditee's Response

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

Finding 2015-02

Collection of Utility Accounts Receivable

Finding

During our water and sewer testwork, we found that three (3) alderperson, and several customers had outstanding balances that have extended beyond a reasonable period of time.



CITY OF FAYETTE, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2015

Auditor's Recommendation

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

Auditee's Response

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





**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayette, Mississippi (the City) as of and for the year ended September 30, 2015, which collectively comprise the City of Fayette, Mississippi's basic financial statements and have issued our report thereon dated December 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

Banks, Finley, White & Co.

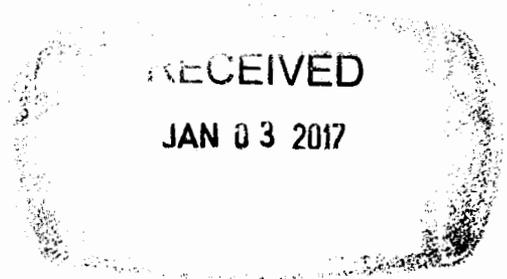
December 1, 2016

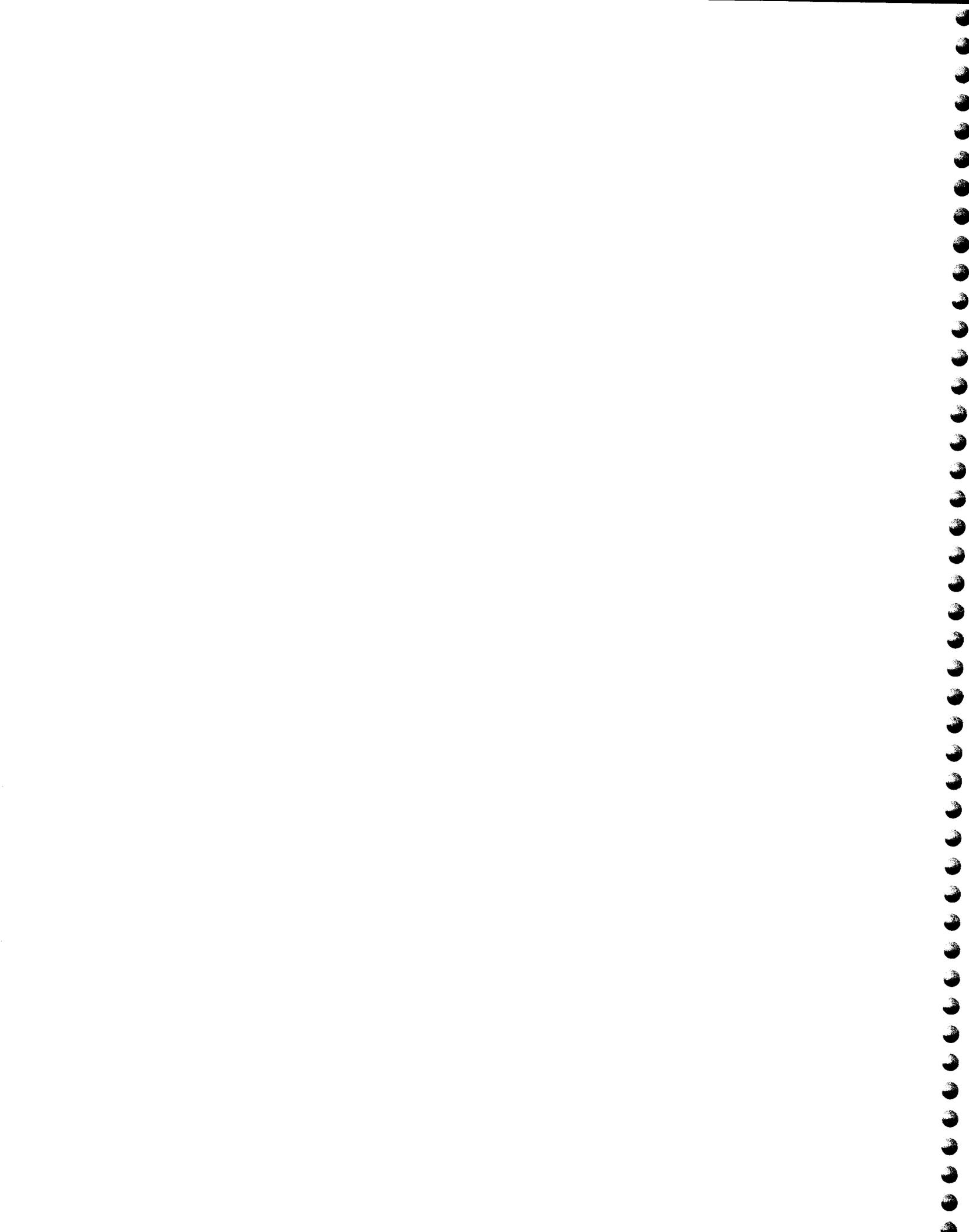


SCHEDULE D

CITY OF FAYETTE, MISSISSIPPI
 Schedule of Surety Bonds for Municipal Officials
 September 30, 2015

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





CITY OF FAYETTE, MISSISSIPPI
 Schedule of Capital Assets
 September 30, 2015

A. All Governmental Funds

	Beginning Balance	Additions	Disposals	Ending Balance
Non Depreciable Capital Assets				
Construction in progress	\$ 601,412	-	-	\$ 601,412
Total Non Depreciable Capital Assets	<u>601,412</u>	<u>-</u>	<u>-</u>	<u>601,412</u>
Depreciable Capital Assets				
Building and improvements	273,591	-	-	273,591
Automotive and equipment	319,293	-	-	319,293
Machinery and equipment	<u>128,708</u>	<u>-</u>	<u>-</u>	<u>128,708</u>
Total Depreciable Capital Assets	<u>721,592</u>	<u>-</u>	<u>-</u>	<u>721,592</u>
Accumulated Depreciation				
Building and improvements	88,429	13,336	-	101,765
Automotive and equipment	319,293	7,025	-	326,318
Machinery and equipment	<u>120,125</u>	<u>3,398</u>	<u>-</u>	<u>123,523</u>
Total Accumulated Depreciation	<u>527,847</u>	<u>23,759</u>	<u>-</u>	<u>551,606</u>
Capital Assets Net Book Value	\$ <u>795,157</u>	<u>(23,759)</u>	<u>-</u>	\$ <u>771,398</u>

B. All Enterprise Funds

	Beginning Balance	Additions	Disposals	Ending Balance
Non Depreciable Capital Assets				
Land and right of ways	\$ 6,120	-	-	\$ 6,120
Total Non Depreciable Capital Assets	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Depreciable Capital Assets				
Building	27,500	-	-	27,500
Water/sewer system	4,623,214	-	-	4,623,214
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	<u>211,283</u>	<u>21,696</u>	<u>-</u>	<u>232,979</u>
Total Depreciable Capital Assets	<u>4,996,196</u>	<u>21,696</u>	<u>-</u>	<u>5,017,892</u>
Accumulated Depreciation				
Building	27,500	-	-	27,500
Water/sewer system	4,249,379	45,507	-	4,294,886
Automotive and equipment	134,199	-	-	134,199
Machinery and equipment	<u>156,069</u>	<u>21,596</u>	<u>-</u>	<u>177,665</u>
Total Accumulated Depreciation	<u>4,567,147</u>	<u>67,103</u>	<u>-</u>	<u>4,634,250</u>
Capital Assets Net Book Value	\$ <u>435,169</u>	<u>(45,407)</u>	<u>-</u>	\$ <u>389,762</u>



CITY OF FAYETTE, MISSISSIPPI
Statement of Investments
September 30, 2015

The City of Fayette, Mississippi did not have any investments for the year ended September 30, 2015.



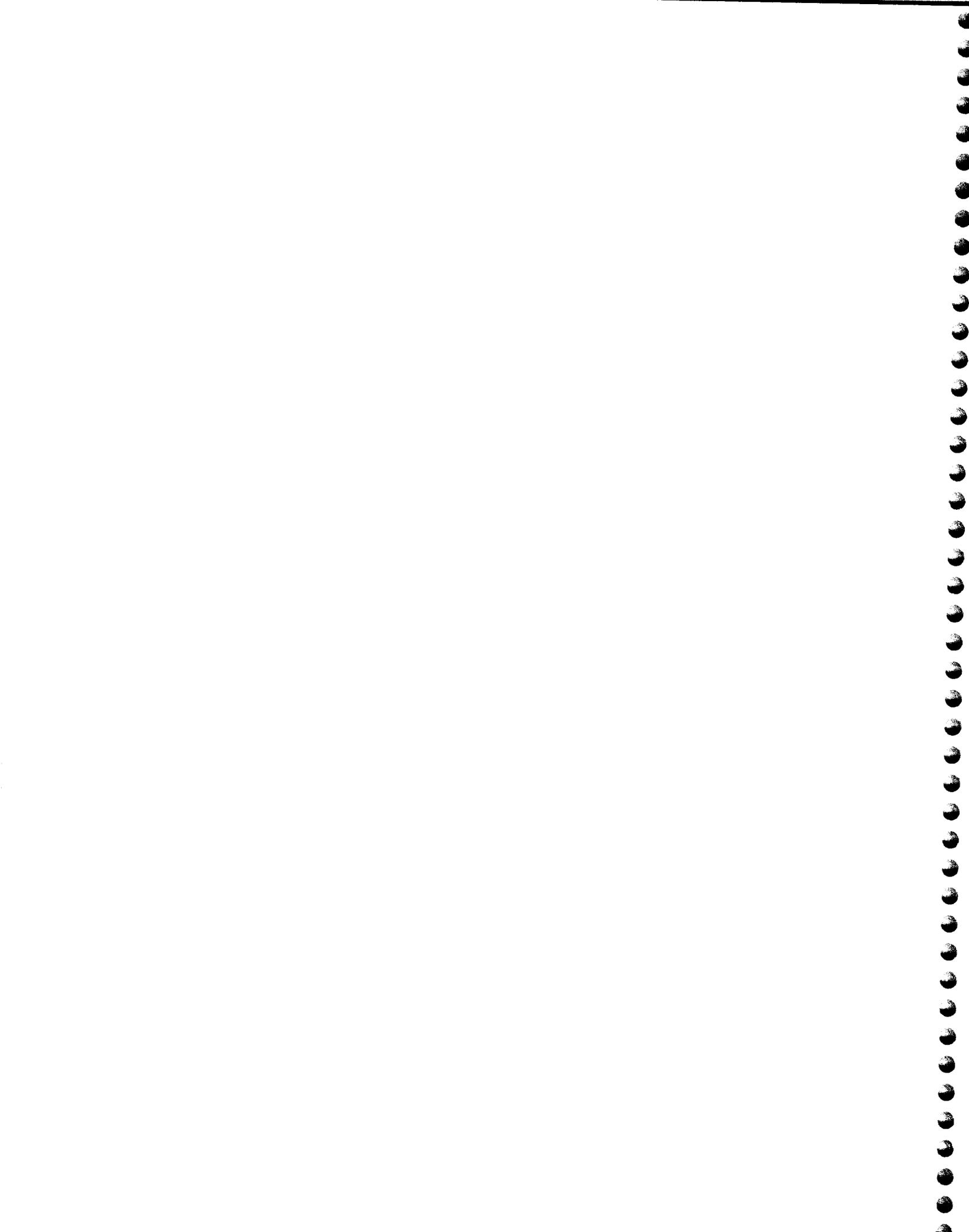
CITY OF FAYETTE, MISSISSIPPI
 Statement of Legal Debt Limit
 September 30, 2015

Authorized Debt Limit Percent Rule

	<u>10%</u>	<u>15%</u>
Authorized Debt Limit Percent		
2015 Tax Roll Estimation	\$ 6,280,959	\$ 6,280,959
Less: Homestead Exemption	<u>(22,270)</u>	<u>(22,270)</u>
Net 2015 Estimation Tax Roll	<u>\$ 6,258,689</u>	<u>\$ 6,258,689</u>
Assessed Valuation under respective debt limit	<u>\$ 625,869</u>	<u>\$ 938,803</u>
Less: All Bonded Indebtness	817,395	817,395
Deduct: Authorized Exemptions		
Water/Sewer Revenue Bonds	<u>817,395</u>	<u>817,395</u>
Margin for further debt under respective debt limits	<u>\$ 625,869</u>	<u>\$ 938,803</u>

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

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



SCHEDULE H

CITY OF FAYETTE, MISSISSIPPI
 Schedule of Long-Term Debt
 September 30, 2015

	<u>Authorized</u>	<u>Issued</u>	<u>Balance Outstanding Oct. 1, 2014</u>	<u>During Fiscal Year</u>		<u>Balance Outstanding Sept. 30, 2015</u>
				<u>Issued</u>	<u>Retired</u>	
Proprietary:						
Revenue Bonds						
91-01 Revenue Bond	\$ 1,283,600	\$ 1,283,600	\$ 316,420	\$ -	\$ 62,913	\$ 253,507
92-03 Revenue Bond	804,000	804,000	503,915	-	25,084	478,831
91-05 Revenue Bond	<u>140,000</u>	<u>140,000</u>	<u>88,640</u>	<u>-</u>	<u>3,583</u>	<u>85,057</u>
Total Revenue Bonds	<u>2,227,600</u>	<u>2,227,600</u>	<u>908,975</u>	<u>-</u>	<u>91,580</u>	<u>817,395</u>
Total Long-Term Debt	<u>\$ 2,227,600</u>	<u>\$ 2,227,600</u>	<u>\$ 908,975</u>	<u>\$ -</u>	<u>\$ 91,580</u>	<u>\$ 817,395</u>



