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City of Fulton

October 25, 2017

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

Dear Sir:

Enclosed is the City of Fulton audit for the year ending September 30, 2016. If you need additional information, please call.

Sincerely,

Ceburn Gray
City Clerk

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Barry Childers
Mayor

Ceburn Gray
City Clerk

Liz Beasley
At-Large

Hayward Wilson
Ward I

Mike Nanney
Ward II

Joey Steele
Ward III

Brad Chatham
Ward IV

CITY OF FULTON, MISSISSIPPI

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

SEPTEMBER 30, 2016

MIKE DOZIER, CERTIFIED PUBLIC ACCOUNTANT, P.C.

**P.O. BOX 217
FULTON, MS 38843
662-862-7955
F.I.N. 64-0780171**

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

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

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MIKE DOZIER, C.P.A., P.C.

P. O. BOX 217

FULTON, MISSISSIPPI 38843

*Member American Institute of Certified Public Accountants
Member Mississippi Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund in formation, of The City of Fulton, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Fulton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund in formation, of the City of Fulton, Mississippi as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 budgetary comparison information on pages 59-62, the schedule of the City's proportionate share of the net pension liability, on page 66, and the schedule of the City's pension contributions, on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

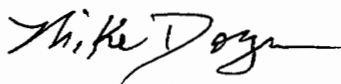
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the City of Fulton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fulton's internal control over financial reporting and compliance.



Mike Dozier,
Certified Public Accountant, P.C.

Fulton, Mississippi
June 20, 2017

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

As management of the City of Fulton, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,388,322 (net position). Of this amount, \$355,079 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The governments total net position decreased by \$182,380 during the current fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,673,909 a increase of \$437,006 during the current fiscal year.

Approximately 84% percent of this total amount, or \$2,229,385, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unsigned fund balance for the general fund was \$2,132,021.

The City's total debt decreased by \$383,272 during the current fiscal year.

The City's governmental fund property taxes increased by approximately \$12,583, and sales taxes increased by \$77,005.

Overview of the Financial Statements

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

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

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

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

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

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

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

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

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

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

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

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

The City adopts an annual appropriated budget for its general fund, debt service fund and the special revenue funds. Budgetary comparison schedules for the general fund have been provided in the financial statements on pages 59-62 to demonstrate compliance with those budgets.

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

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

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

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

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

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

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CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

Notes to the Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-58 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to budgetary comparison schedules for certain governmental funds referred to earlier. Required supplementary information can be found on pages 59-67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 68 and 69 of this report.

Government-Wide Financial Analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fulton, assets exceeded liabilities by \$11,388,322 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (92 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately 6 percent or \$640,475) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately 4 percent or \$355,079) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position decreased by \$182,381 during the current fiscal year. This decrease was mainly due to the \$135,565 decrease in net position from the governmental activities and the business-type activities of \$46,816 as detailed on the City of Fulton, Mississippi's changes in net position presented on the following pages. See other detail changes on the following pages.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2016

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Net Position

| | Governmental | | | | Business-Type | | | | Total | | | |
|--------------------------------|--------------|--------------|------------------------|-------------|---------------|--------------|------------------------|-------------|---------------|---------------|------------------------|-------------|
| | Activities | | | | Activities | | | | | | | |
| | 2016 | 2015 | Increase (Decrease) | % Change | 2016 | 2015 | Increase (Decrease) | % Change | 2016 | 2015 | Increase (Decrease) | % Change |
| Current and other assets | \$ 3,806,354 | \$ 3,353,915 | \$ 452,439 | 13% | \$ 2,491,941 | \$ 2,464,188 | \$ 27,753 | 1% | \$ 6,298,295 | \$ 5,818,103 | \$ 480,192 | 8% |
| Capital assets | 7,187,997 | 7,606,572 | (418,575) | -6% | 11,874,511 | 12,149,590 | (275,079) | -2% | 19,062,508 | 19,756,162 | (693,654) | -4% |
| Total assets | 10,994,351 | 10,960,487 | 33,864 | 0% | 14,366,452 | 14,613,778 | (247,326) | -2% | 25,360,803 | 25,574,265 | (213,462) | -1% |
| Deferred outflows of resources | 552,333 | 636,551 | (84,218) | 0% | 184,110 | 212,183 | (28,073) | 0% | 736,443 | 848,734 | (112,291) | 0% |
| Current liabilities | 283,709 | 259,896 | 23,813 | 9% | 700,362 | 569,045 | 131,317 | 23% | 984,071 | 828,941 | 155,130 | 19% |
| Long-term liabilities | 5,959,329 | 5,796,733 | 162,596 | 3% | 6,947,148 | 7,229,527 | (282,379) | -4% | 12,906,477 | 13,026,260 | (119,783) | -1% |
| Total liabilities | 6,243,038 | 6,056,629 | 186,409 | 3% | 7,647,510 | 7,798,572 | (151,062) | -2% | 13,890,548 | 13,855,201 | 35,347 | 0% |
| Deferred inflows of resources | 872,399 | 973,597 | (101,198) | -10% | 3,104 | 23,499 | (20,395) | 0% | 875,503 | 997,096 | (121,593) | -12% |
| Net position | | | | | | | | | | | | |
| Net investment in | | | | | | | | | | | | |
| capital assets | 4,631,534 | 4,961,470 | (329,936) | -7% | 5,761,234 | 5,681,680 | 79,554 | 1% | 10,392,768 | 10,643,150 | (250,382) | -2% |
| Restricted | 416,311 | 560,542 | (144,231) | -26% | 224,164 | 224,164 | - | 0% | 640,475 | 784,706 | (144,231) | -18% |
| Unrestricted | (616,598) | (955,200) | 338,602 | -35% | 914,550 | 1,098,046 | (183,496) | -17% | 297,952 | 142,846 | 155,106 | 109% |
| Total net position | \$ 4,431,247 | \$ 4,566,812 | \$ (2,925,377) | -64% | \$ 6,899,948 | \$ 7,003,890 | \$ (975,372) | -14% | \$ 11,331,195 | \$ 11,570,702 | \$ (239,507) | -2% |

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CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2016

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Changes in Net Position

| | Governmental | | | | Business-Type | | Increase | % | | | | | Increase | % |
|--|--------------|--------------|-------------|--------|---------------|--------------|--------------|--------|--------------|--------------|--------------|--------|----------|---|
| | Activities | | Increase | % | Activities | | (Decrease) | Change | Total | | (Decrease) | Change | | |
| Revenue | 2016 | 2015 | (Decrease) | Change | 2016 | 2015 | | | 2016 | 2015 | | | | |
| Program revenue; | | | | | | | | | | | | | | |
| Charges for services | \$ 218,123 | \$ 255,951 | \$ (37,828) | -15% | \$ 3,229,053 | \$ 3,637,744 | \$ (408,691) | -11% | \$ 3,447,176 | \$ 3,893,695 | \$ (446,519) | -11% | | |
| Capital grants and contributions | - | - | - | 0% | 105,593 | - | 105,593 | - | 105,593 | - | 105,593 | 0% | | |
| General revenue: | | | | | | | | | | | | | | |
| Property taxes and late fees | 882,877 | 870,294 | 12,583 | 1% | - | - | - | - | 882,877 | 870,294 | 12,583 | 1% | | |
| Homestead exemption | 62,327 | 63,763 | (1,436) | -2% | - | - | - | - | 62,327 | 63,763 | (1,436) | -2% | | |
| Sales taxes | 1,647,067 | 1,570,062 | 77,005 | 5% | - | - | - | - | 1,647,067 | 1,570,062 | 77,005 | 5% | | |
| Franchise tax | 147,292 | 135,592 | 11,700 | 9% | - | - | - | - | 147,292 | 135,592 | 11,700 | 9% | | |
| TVA and other payment in lieu of taxes | 52,144 | 92,302 | (40,158) | -44% | - | - | - | - | 52,144 | 92,302 | (40,158) | -44% | | |
| Road tax and advalorem privilege tax | 266,512 | 247,033 | 19,479 | 8% | - | - | - | - | 266,512 | 247,033 | 19,479 | 8% | | |
| Municipal aid and gasoline tax | 5,910 | 5,910 | - | 0% | - | - | - | - | 5,910 | 5,910 | - | 0% | | |
| Earnings on investments | 3,900 | 3,480 | 420 | 12% | - | - | - | - | 3,900 | 3,480 | 420 | 12% | | |
| Other | 622,094 | 290,852 | 331,242 | 114% | - | - | - | - | 622,094 | 290,852 | 331,242 | 114% | | |
| Total revenue | \$ 3,908,246 | \$ 3,535,239 | \$ 373,007 | 11% | \$ 3,334,646 | \$ 3,637,744 | \$ (303,098) | -8% | \$ 7,242,892 | \$ 7,172,983 | \$ 69,909 | 1% | | |

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2016

Government - Wide Financial - Analysis Continued

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

| | Governmental | | Increase | % | Business-Type | | Increase | % | | | Increase | % |
|--|---------------------|---------------------|---------------------|--------|---------------------|---------------------|--------------------|--------|----------------------|----------------------|---------------------|--------|
| | Activities | | (Decrease) | Change | Activities | | (Decrease) | Change | Total | | (Decrease) | Change |
| | 2016 | 2015 | | | 2016 | 2015 | | | 2016 | 2015 | | |
| Expenses: | | | | | | | | | | | | |
| General government | \$ 905,867 | \$ 908,616 | \$ (2,749) | 0% | \$ - | \$ - | \$ - | - | \$ 905,867 | \$ 908,616 | \$ (2,749) | 0% |
| Public safety | 909,627 | 880,644 | 28,983 | 3% | - | - | - | - | 909,627 | 880,644 | 28,983 | 3% |
| Public works | 1,186,336 | 1,205,096 | (18,760) | -2% | - | - | - | - | 1,186,336 | 1,205,096 | (18,760) | -2% |
| Culture and recreation | 300,233 | 283,579 | 16,654 | 6% | - | - | - | - | 300,233 | 283,579 | 16,654 | 6% |
| Fire protection | 334,496 | 289,810 | 44,686 | 15% | - | - | - | - | 334,496 | 289,810 | 44,686 | 15% |
| Emergency management | 81,976 | 81,476 | 500 | 1% | - | - | - | - | 81,976 | 81,476 | 500 | 1% |
| Other programs | 214,945 | 207,451 | 7,494 | 4% | - | - | - | - | 214,945 | 207,451 | 7,494 | 4% |
| Interest and fiscal charges | 110,331 | 90,903 | 19,428 | 21% | - | - | - | - | 110,331 | 90,903 | 19,428 | 21% |
| Water | - | - | - | - | 1,289,857 | 1,310,219 | (20,362) | -2% | 1,289,857 | 1,310,219 | (20,362) | -2% |
| Gas | - | - | - | - | 1,245,120 | 1,657,587 | (412,467) | -25% | 1,245,120 | 1,657,587 | (412,467) | -25% |
| Sewer | - | - | - | - | 465,130 | 428,532 | 36,598 | 9% | 465,130 | 428,532 | 36,598 | 9% |
| Garbage | - | - | - | - | 381,355 | 379,098 | 2,257 | 1% | 381,355 | 379,098 | 2,257 | 1% |
| Total expenses | <u>4,043,811</u> | <u>3,947,575</u> | <u>96,236</u> | 2% | <u>3,381,462</u> | <u>3,775,436</u> | <u>(393,974)</u> | -10% | <u>7,425,273</u> | <u>7,723,011</u> | <u>(297,738)</u> | -4% |
| Increase (decrease) in net position before transfers | <u>(135,565)</u> | <u>(412,336)</u> | <u>276,771</u> | -67% | <u>(46,816)</u> | <u>(137,692)</u> | <u>90,876</u> | -66% | <u>(182,381)</u> | <u>(550,028)</u> | <u>367,647</u> | -67% |
| Transfers | - | - | - | 0% | - | - | - | 0% | - | - | - | 0% |
| Increase (decrease) in net position | <u>(135,565)</u> | <u>(412,336)</u> | <u>276,771</u> | -67% | <u>(46,816)</u> | <u>(137,692)</u> | <u>90,876</u> | -66% | <u>(182,381)</u> | <u>(550,028)</u> | <u>367,647</u> | -67% |
| Net position beginning of year | <u>4,566,812</u> | <u>4,979,148</u> | <u>(412,336)</u> | -8% | <u>7,003,891</u> | <u>7,141,582</u> | <u>(137,691)</u> | -2% | <u>11,570,703</u> | <u>12,120,730</u> | <u>(550,027)</u> | -5% |
| Net position end of year | <u>\$ 4,431,247</u> | <u>\$ 4,566,812</u> | <u>\$ (135,565)</u> | -3% | <u>\$ 6,957,075</u> | <u>\$ 7,003,891</u> | <u>\$ (46,815)</u> | -1% | <u>\$ 11,388,322</u> | <u>\$ 11,570,702</u> | <u>\$ (182,380)</u> | -2% |

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016**

Government-Wide Financial Analysis – (continued)

Governmental Activities. Governmental activities decreased the City's net position by \$135,565 as a result of this year's operations. By comparison governmental activities reported a \$412,336 decrease for the prior year. Key elements of the changes were as follows:

The City's earnings on investments decreased by approximately \$420, and charges for services decreased by \$37,828. Payments in lieu of taxes decreased by \$40,158. Road taxes and advalorem taxes from Itawamba County increased \$19,479. The City's property taxes increased \$12,583, and sales taxes increased \$77,005. Other revenue from the sale of timber totaled \$209,823 and the sale of equipment totaled \$176,671.

General government expenses decreased by \$2,749, public safety expenses increased by \$28,983 (3 percent), public works decreased by \$18,766 (2 percent), culture and recreation increased by \$16,654 (6 percent), fire protection increased \$44,686, emergency management increased \$500 and other programs increased by \$7,494 (4 percent), and interest and fiscal charges decreased by \$19,428 (21 percent).

Business-Type Activities. Business-type activities decreased the City's net position by \$46,816 as a result of this year's operations. By comparison, business-type activities reported a decrease in net position the previous fiscal year of approximately \$137,692. Key elements of this increase over the prior year are as follows:

Charges for services for business-type activities decreased \$408,691, or 11 percent, compared to the prior year. This was the result of the variations in natural gas sold and in the cost of gas.

Expenses decreased approximately 10 percent or \$393,974, primarily due to natural gas expenditures decreased by \$293,871 (37% primarily due to an decrease in the cost of natural gas purchased).

Water purchases increased by \$3,404.

Financial Analysis of the Government's Funds.

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

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

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

Governmental Funds – (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,673,909, an increase of \$345,041 in comparison with the prior year. Approximately 84 percent of this total amount \$2,229,385 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for prepaid expense \$28,213, and 2) restricted \$416,311, (\$226,761 for debt service, \$107,484 for tourism, \$69,278 for fire protection, \$7,990 for Gaither House and \$4,798 for drug prevention).

The increase of \$437,006 in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- . The General Fund increased \$673,210.
- . The Special Revenue – Park and Recreation Fund decreased \$91,973.
- . The Debt Service Funds decreased \$194,345.
- . The Tourism Tax Fund increased \$32,506.
- . The Fire Protection Fund increased \$15,422.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,132,021, while total fund balance was \$2,160,234. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 76 percent of total general fund expenditures.

Proprietary Funds

The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail. Unrestricted net position of the gas system, water system, sewer system and waste collection funds at the end of the year amounted to (\$72,010), \$772,979, \$250,060, and \$20,648 respectively. The gas system fund had a decrease in net position for the year of \$198,284, the water system fund had a increase in net position for the year of \$135,808 the sewer system fund had an increase in net position for the year of \$44,869, and the waste collection fund had a decrease of \$29,209. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

General Fund Budgetary Highlights – (continued)

in finance and administrative expenditures, \$19,400 increase in police expenditures, \$43,700 increase in Fire expenditures, and \$56,850 decrease in street department expenditures. These changes were precipitated by the need to increase expenditures in certain areas deemed by the Board of Alderpersons to be beneficial to the City.

During the year, general fund revenues were more than the budgetary estimates and expenditures were less resulting in an actual increase in fund balance that was less than the final amended budget fund balance amount by approximately \$306,010.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounted to \$19,122,508 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after October 1, 2003.

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

| | |
|--|-----------|
| 1. General Administration- Improvements | \$ 17,360 |
| 2. Street Department Equipment | 14,250 |
| 3. Water System Equipment, Vehicles & Construction | 250,289 |
| 4. Fire Fixtures Equipment & Truck | 175,675 |
| 5. Police Equipment | 12,051 |
| 6. Park Equipment | 24,406 |
| 7. Gas Department Equipment & Vehicle | 32,122 |
| 8. Sewer System Additions & Equipment | 82,345 |

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------|------------------------------------|-------------------------------------|----------------------|
| Land | \$ 3,587,464 | \$ 133,914 | \$ 3,721,378 |
| Buildings and Improvements | 5,861,421 | 77,872 | 5,939,293 |
| Automotive and equipment | 3,713,205 | 1,277,057 | 4,990,262 |
| Infrastructure-utility systems | 1,399,463 | 24,334,450 | 25,733,913 |
| Less: Accumulated depreciation | (7,313,556) | (13,948,782) | (21,262,338) |
| Total | <u>\$ 7,247,997</u> | <u>\$ 11,874,511</u> | <u>\$ 19,122,508</u> |

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

Long-term Debt:

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$8,729,740.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2016

City of Fulton, Mississippi's Outstanding Debt

| | Governmental | Business-Type | |
|--------------------------|--------------------------|--------------------------|---------------------|
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> |
| Notes | \$ - | \$ 3,418,278 | \$3,418,278 |
| Limited Obligation bonds | 100,000 | - | 100,000 |
| Revenue Bonds | - | 2,695,000 | 2,695,000 |
| Industrial Note | <u>2,516,462</u> | <u>-</u> | <u>2,516,462</u> |
| Total | <u>\$ 2,616,462</u> | <u>\$ 6,113,278</u> | <u>\$8,729,740</u> |

The City's total debt decreased by \$383,272 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2016-17 fiscal year:

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

Inflationary trends in the region compare favorably to national indices.

Requests for Information

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

CITY OF FULTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| ASSETS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|----------------------------|-----------------------------|----------------------|
| Cash and cash equivalents | \$ 2,349,273 | \$ 1,608,209 | \$ 3,957,482 |
| Restricted cash and cash equivalents | - | 370,104 | 370,104 |
| Receivables(net, where applicable, of allowances for uncollectibles) | | | |
| Accounts | - | 473,596 | 473,596 |
| Taxes | 899,276 | - | 899,276 |
| Police Fines | 201,414 | - | 201,414 |
| Due from other governments | 267,897 | - | 267,897 |
| Supply Inventory | - | 93,827 | 93,827 |
| Meter deposits | 281 | 237 | 518 |
| Prepaid expenses | 28,213 | 3,095 | 31,308 |
| Capital assets | | | |
| Land and right of ways | 3,587,464 | 135,536 | 3,723,000 |
| Other capital assets (net of accumulated depreciation) | 3,660,533 | 11,738,975 | 15,399,508 |
| Total assets | <u>10,994,351</u> | <u>14,423,579</u> | <u>25,417,930</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows-pensions | 552,333 | 184,110 | 736,443 |
| Total deferred outflows of resources | <u>552,333</u> | <u>184,110</u> | <u>736,443</u> |
| Total assets and deferred outflows of resources | <u>\$ 11,546,684</u> | <u>\$ 14,607,689</u> | <u>\$ 26,154,373</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 19,090 | \$ 180,233 | \$ 199,323 |
| Customer deposits | - | 145,940 | 145,940 |
| Accrued Liabilities | 9,930 | 8,888 | 18,818 |
| Long-term liabilities : | | | |
| Notes and bonds due within one year | 245,369 | 170,347 | 415,716 |
| Obligations under capital lease due within one year | - | 191,849 | 191,849 |
| Compensated absences due within one year | 9,320 | 3,105 | 12,425 |
| Obligations under capital lease due in more than one year | - | 2,522,268 | 2,522,268 |
| Compensated absences due in more than one year | 83,881 | 27,949 | 111,830 |
| Unfunded pension liability | 3,504,354 | 1,168,118 | 4,672,472 |
| Notes and bonds due in more than one year | 2,371,094 | 3,228,813 | 5,599,907 |
| Total liabilities | <u>6,243,038</u> | <u>7,647,510</u> | <u>13,890,548</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | 863,087 | - | 863,087 |
| Deferred inflows-pensions | 9,312 | 3,104 | 12,416 |
| Total deferred inflows of resources | <u>872,399</u> | <u>3,104</u> | <u>875,503</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 4,631,534 | 5,761,234 | 10,392,768 |
| Restricted for: | | | |
| Bond cushion, depreciation and contingency-expendable | - | 224,164 | 224,164 |
| Debt service | 226,761 | - | 226,761 |
| Tourism | 107,484 | - | 107,484 |
| Fire Protection | 69,278 | - | 69,278 |
| Gaither House | 7,990 | - | 7,990 |
| Narcotics Fund | 4,798 | - | 4,798 |
| Unrestricted | (616,598) | 971,677 | 355,079 |
| Total net position | <u>4,431,247</u> | <u>6,957,075</u> | <u>11,388,322</u> |
| Total liabilities, deferred outflows of resources, and net position | <u>\$ 11,546,684</u> | <u>\$ 14,607,689</u> | <u>\$ 26,154,373</u> |

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

CITY OF FULTON
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|----------------------------------|--------------------------------|--|--------------------------|----------------------|
| | | Charges For Services | Operating Grants & Contributions | Capital Grants & Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 905,867 | \$ 14,988 | \$ - | \$ - | \$ (890,879) | \$ - | \$ (890,879) |
| Public safety | 909,627 | 122,419 | - | - | (787,208) | - | (787,208) |
| Public works | 1,186,336 | - | - | - | (1,186,336) | - | (1,186,336) |
| Culture and recreation | 300,233 | 80,716 | - | - | (219,517) | - | (219,517) |
| Fire protection | 334,496 | - | - | - | (334,496) | - | (334,496) |
| Emergency management | 81,976 | - | - | - | (81,976) | - | (81,976) |
| Other programs | 214,945 | - | - | - | (214,945) | - | (214,945) |
| Interest and fiscal charges | 110,331 | - | - | - | (110,331) | - | (110,331) |
| Total government activities | 4,043,811 | 218,123 | - | - | (3,825,688) | - | (3,825,688) |
| Business-type Activities: | | | | | | | |
| Water | 1,289,857 | 1,320,072 | - | 105,593 | - | 135,808 | 135,808 |
| Gas | 1,245,120 | 1,046,836 | - | - | - | (198,284) | (198,284) |
| Sewer | 465,130 | 509,999 | - | - | - | 44,869 | 44,869 |
| Garbage | 381,355 | 352,146 | - | - | - | (29,209) | (29,209) |
| Total Business-Type Activities | 3,381,462 | 3,229,053 | - | 105,593 | - | (46,816) | (46,816) |
| TOTAL PRIMARY GOVERNMENT | \$ 7,425,273 | \$ 3,447,176 | \$ - | \$ 105,593 | (3,825,688) | (46,816) | (3,872,504) |
| General revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property taxes and late fees | | | | | 882,877 | - | 882,877 |
| Road tax and advalorem privilege tax | | | | | 266,512 | - | 266,512 |
| Municipal Sales Tax | | | | | 1,647,067 | - | 1,647,067 |
| Homestead exemption | | | | | 62,327 | - | 62,327 |
| Franchise tax | | | | | 147,292 | - | 147,292 |
| State Reimbursements | | | | | 33,107 | - | 33,107 |
| TVA and other payment in lieu of taxes | | | | | 52,144 | - | 52,144 |
| Municipal aid and gasoline tax | | | | | 5,910 | - | 5,910 |
| Investment income | | | | | 3,900 | - | 3,900 |
| Rent | | | | | 64,478 | - | 64,478 |
| Other | | | | | 524,509 | - | 524,509 |
| Transfers | | | | | - | - | - |
| Total | | | | | 3,690,123 | - | 3,690,123 |
| Change in net position | | | | | (135,565) | (46,816) | (182,381) |
| NET POSITION - BEGINNING | | | | | 4,566,812 | 7,003,891 | 11,570,703 |
| NET POSITION - ENDING | | | | | \$ 4,431,247 | \$ 6,957,075 | \$ 11,388,322 |

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

**CITY OF FULTON
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016**

| | | NONMAJOR OTHER GOVERNMENTAL | TOTAL GOVERNMENTAL |
|--|---------------------|-----------------------------------|-----------------------|
| ASSETS | <u>GENERAL</u> | <u>FUNDS</u> | <u>FUNDS</u> |
| Cash | \$ 1,846,109 | \$ 503,164 | \$ 2,349,273 |
| Investments | - | - | - |
| Receivable (Net of Allowance for Uncollectibles) | | | |
| Taxes | 831,526 | 67,750 | 899,276 |
| Due From Other Governments | 267,493 | 404 | 267,897 |
| Police-Fines | 201,414 | - | 201,414 |
| Prepaid Expenses | 28,213 | - | 28,213 |
| Meter Deposits | <u>281</u> | <u>-</u> | <u>281</u> |
| Total Assets | <u>\$ 3,175,036</u> | <u>\$ 571,318</u> | <u>\$ 3,746,354</u> |
| LIABILITIES | | | |
| Liabilities: | | | |
| Vouchers Payable | 13,750 | 5,340 | 19,090 |
| Accrued Liabilities | <u>53</u> | <u>-</u> | <u>53</u> |
| Total Liabilities | <u>13,803</u> | <u>5,340</u> | <u>19,143</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | <u>1,000,999</u> | <u>52,303</u> | <u>1,053,302</u> |
| Total Deferred Inflows of Resources | <u>1,000,999</u> | <u>52,303</u> | <u>1,053,302</u> |
| FUND BALANCES | | | |
| Nonspendable | 28,213 | - | 28,213 |
| Restricted | - | 416,311 | 416,311 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | <u>2,132,021</u> | <u>97,364</u> | <u>2,229,385</u> |
| Total Fund Balances | <u>2,160,234</u> | <u>513,675</u> | <u>2,673,909</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,175,036</u> | <u>\$ 571,318</u> | <u>\$ 3,746,354</u> |

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

CITY OF FULTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund balances of governmental funds \$ 2,673,909

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

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

The assets were adjusted as follows:

| | |
|--------------------------------|--------------------|
| Land and right of ways | 3,587,464 |
| Other capital assets | 10,974,089 |
| Less: accumulated depreciation | <u>(7,313,556)</u> |
| Total capital assets | <u>7,247,997</u> |

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

| | |
|----------------------------------|----------------|
| Revenues - Municipal court fines | 189,152 |
| Revenues - Property taxes | <u>1,063</u> |
| Total deferred revenues | <u>190,215</u> |

Interest payable on long-term debt did not require current financial resources;
therefore, interest payable was not reported as a liability in the governmental
funds. (9,877)

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

| | |
|---|---------------------|
| Bonds and notes payable | (2,616,463) |
| Unfunded pension liability | (3,504,354) |
| Deferred outflows | 552,333 |
| Deferred inflows | (9,312) |
| Compensated absences | <u>(93,201)</u> |
| Total long-term debt | <u>(5,670,997)</u> |
| Total net position of governmental activities | <u>\$ 4,431,247</u> |

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

CITY OF FULTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| | <u>GENERAL</u> | <u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|----------------------------|------------------|--|---|
| <u>REVENUES</u> | | | |
| Ad Valorem Taxes | \$ 989,399 | \$ 67,205 | \$ 1,056,604 |
| Interest & Penalties | 3,978 | - | 3,978 |
| Printer Fees | 222 | - | 222 |
| Privilege Licenses | 11,595 | - | 11,595 |
| Municipal Aid & Gas Tax | 5,910 | - | 5,910 |
| Building Permits | 3,393 | - | 3,393 |
| Program Fees | - | 27,420 | 27,420 |
| Grants | 4,725 | - | 4,725 |
| In Lieu of Taxes | 52,144 | - | 52,144 |
| Proqram Dues | - | - | - |
| Municipal Sales Tax | 1,587,012 | 60,055 | 1,647,067 |
| State Fire Protection | - | - | - |
| Civil Defense | 33,107 | - | 33,107 |
| Itawamba County | 155,089 | - | 155,089 |
| Court Revenue | 116,877 | - | 116,877 |
| Interest | 3,900 | - | 3,900 |
| Rent | - | 64,478 | 64,478 |
| Other | 269,908 | 68,655 | 338,563 |
| Sale of Equipment/Land | 177,021 | - | 177,021 |
| Cops and Drug Fund | - | - | - |
| Fire District | - | - | - |
| TVA Franchise Tax | 147,292 | - | 147,292 |
| Concession Revenue | - | 53,296 | 53,296 |
| Total Revenues | <u>3,561,572</u> | <u>341,109</u> | <u>3,902,681</u> |
| <u>EXPENDITURES</u> | | | |
| Finance and Administration | 596,878 | - | 596,878 |
| Police | 779,212 | - | 779,212 |
| Fire | 281,587 | - | 281,587 |
| National Guard and Airport | 1,500 | - | 1,500 |
| Animal Control | 9,216 | - | 9,216 |
| Emergency Management | 72,411 | - | 72,411 |
| Street Department | 944,001 | - | 944,001 |

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

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CITY OF FULTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| | <u>GENERAL</u> | <u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|---------------------|--|---|
| <u>EXPENDITURES-CONTINUED</u> | | | |
| Court Fund | \$ 55,952 | \$ - | \$ 55,952 |
| Library & Grammar School Building | 81,785 | - | 81,785 |
| Park & Recreation | - | 289,944 | 289,944 |
| Tourism | - | 29,990 | 29,990 |
| Fire Protection | - | 162,552 | 457,671 |
| Gaither House | - | 13,986 | |
| Drug | - | 4,792 | |
| Other | - | - | - |
| Debt Service Principle Retirement | - | 204,078 | 204,078 |
| Interest and Fiscal Charges | - | 87,791 | 87,791 |
| Total Expenditures | <u>2,822,542</u> | <u>793,133</u> | <u>3,615,675</u> |
| Excess (Deficit) of Revenues | | | |
| Over (Under) Expenditures | <u>739,030</u> | <u>(452,024)</u> | <u>287,006</u> |
| Other Financing | | | |
| Sources (Uses): | | | |
| Transfer In | 17,226 | 65,820 | 83,046 |
| Transfer (Out) | (83,046) | - | (83,046) |
| Other | <u>-</u> | <u>150,000</u> | <u>150,000</u> |
| Total Other | | | |
| Financing | | | |
| Sources (Uses) | <u>(65,820)</u> | <u>215,820</u> | <u>150,000</u> |
| Excess (Deficit) of Revenues | | | |
| & Other Sources | | | |
| Over (Under) Expenditures & Other Uses | 673,210 | (236,204) | 437,006 |
| Fund Balances - | | | |
| October 1, 2015 | <u>1,487,024</u> | <u>749,879</u> | <u>2,236,903</u> |
| Fund Balances - | | | |
| September 30, 2016 | <u>\$ 2,160,234</u> | <u>\$ 513,675</u> | <u>\$ 2,673,909</u> |

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

CITY OF FULTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds \$ 437,006

Governmental funds report capital outlays as expenditures.

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

| | |
|----------------------|------------------|
| Capital outlay | 243,742 |
| Depreciation expense | <u>(602,317)</u> |
| | <u>(358,575)</u> |

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

178,640

Note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from note proceeds.

(150,000)

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

| | |
|-----------------------|--------------|
| Property taxes | 23 |
| Municipal court fines | <u>5,542</u> |
| | <u>5,565</u> |

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

| | |
|---|------------------|
| (Increase) decrease in accrued interest | 2,898 |
| Change in unfunded pension liability | (223,388) |
| Change in deferred outflow (inflows) of resources | (23,033) |
| (Increase) decrease in compensated absences | <u>(4,678)</u> |
| | <u>(248,201)</u> |

| | |
|---|----------------------------|
| Changes in net position of governmental activities. | <u><u>\$ (135,565)</u></u> |
|---|----------------------------|

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

CITY OF FULTON
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
SEPTEMBER 30, 2016

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND | | | | |
|---|---|------------------------------|--------------------------------|--|---|
| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents-unrestricted | \$ 816,053 | \$ 358,665 | \$ 390,656 | \$ 42,835 | \$ 1,608,209 |
| Cash and cash equivalents-restricted | 299,096 | 71,008 | - | - | 370,104 |
| Receivables (net of allowance for uncollectibles) | 257,782 | 111,146 | 57,127 | 47,541 | 473,596 |
| Prepaid expenses | 500 | 2,595 | - | - | 3,095 |
| Supply inventory | 54,679 | 31,256 | 7,892 | - | 93,827 |
| Deferred charges | - | - | - | - | - |
| Meter deposits | 110 | 127 | - | - | 237 |
| Total current assets | <u>1,428,220</u> | <u>574,797</u> | <u>455,675</u> | <u>90,376</u> | <u>2,549,068</u> |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Nondepreciable land and improvements | 46,009 | 46,075 | 43,452 | - | 135,536 |
| Depreciable capital assets, net of accumulated depreciat | <u>7,038,964</u> | <u>1,623,638</u> | <u>3,071,807</u> | <u>4,566</u> | <u>11,738,975</u> |
| Total noncurrent assets | <u>7,084,973</u> | <u>1,669,713</u> | <u>3,115,259</u> | <u>4,566</u> | <u>11,874,511</u> |
| Total assets | <u>8,513,193</u> | <u>2,244,510</u> | <u>3,570,934</u> | <u>94,942</u> | <u>14,423,579</u> |
| Deferred outflow of resources: | | | | | |
| Difference between expected and actual experience- net pension liability | <u>44,187</u> | <u>103,102</u> | <u>29,457</u> | <u>7,364</u> | <u>184,110</u> |
| Total deferred outflows of resources | <u>44,187</u> | <u>103,102</u> | <u>29,457</u> | <u>7,364</u> | <u>184,110</u> |
| Total assets and deferred outflows of resources | <u>\$ 8,557,380</u> | <u>\$ 2,347,612</u> | <u>\$ 3,600,391</u> | <u>\$ 102,306</u> | <u>\$ 14,607,689</u> |

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

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CITY OF FULTON
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
SEPTEMBER 30, 2016

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND | | | | |
|---|---|------------------------------|--------------------------------|--|---|
| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 104,465 | \$ 4,775 | \$ 40,750 | \$ 30,243 | \$ 180,233 |
| Accrued Liabilities | 7,110 | - | 1,778 | - | 8,888 |
| Customer deposits | 74,932 | 71,008 | - | - | 145,940 |
| Compensated absences | 766 | 1,824 | 515 | - | 3,105 |
| Current portion of note payable | - | - | 35,347 | - | 35,347 |
| Current portion of revenue bond payable | 108,000 | - | 27,000 | - | 135,000 |
| Current portion of obligations under capital lease | 120,865 | 70,984 | - | - | 191,849 |
| Total current liabilities | <u>416,138</u> | <u>148,591</u> | <u>105,390</u> | <u>30,243</u> | <u>700,362</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 6,898 | 16,418 | 4,633 | - | 27,949 |
| Note payable, less current maturities | - | - | 668,813 | - | 668,813 |
| Unfunded pension liability | 280,348 | 654,146 | 186,899 | 46,725 | 1,168,118 |
| Revenue bond payable, less current portion | 2,052,000 | - | 508,000 | - | 2,560,000 |
| Lease obligations payable, less current portion | 1,589,028 | 933,240 | - | - | 2,522,268 |
| Total noncurrent liabilities | <u>3,928,274</u> | <u>1,603,804</u> | <u>1,368,345</u> | <u>46,725</u> | <u>6,947,148</u> |
| Total liabilities | <u>4,344,412</u> | <u>1,752,395</u> | <u>1,473,735</u> | <u>76,968</u> | <u>7,647,510</u> |
| Deferred inflows of resources: | | | | | |
| Difference between projected and actual earnings on pension plan investments-net pension | 745 | 1,738 | 497 | 124 | 3,104 |
| Total deferred inflows of resources | <u>745</u> | <u>1,738</u> | <u>497</u> | <u>124</u> | <u>3,104</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 3,215,080 | 665,489 | 1,876,099 | 4,566 | 5,761,234 |
| Restricted for debt service | - | - | - | - | - |
| Restricted for bond cushion, depreciation and contingent-expendable | 224,164 | - | - | - | 224,164 |
| Unrestricted | 772,979 | (72,010) | 250,060 | 20,648 | 971,677 |
| Total net position | <u>4,212,223</u> | <u>593,479</u> | <u>2,126,159</u> | <u>25,214</u> | <u>6,957,075</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 8,557,380</u> | <u>\$ 2,347,612</u> | <u>\$ 3,600,391</u> | <u>\$ 102,306</u> | <u>\$ 14,607,689</u> |

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

CITY OF FULTON
STATEMENT OF REVENUES EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND | | | | |
|---|---|------------------------------|--------------------------------|--|---|
| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
| <u>OPERATING REVENUES</u> | | | | | |
| Charges for services | \$ 1,320,072 | \$ 1,046,836 | \$ 509,999 | \$ 352,146 | \$ 3,229,053 |
| Total operating revenues | <u>1,320,072</u> | <u>1,046,836</u> | <u>509,999</u> | <u>352,146</u> | <u>3,229,053</u> |
| <u>OPERATING EXPENSES</u> | | | | | |
| Personnel services | 173,429 | 409,956 | 116,191 | 16,816 | 716,392 |
| Services and supplies | 66,426 | 40,400 | 29,956 | 361,157 | 497,939 |
| Repairs | 75,051 | 72,924 | 31,816 | - | 179,791 |
| Operational | 155,656 | 91,811 | 66,610 | 3,229 | 317,306 |
| Purchases of natural gas | - | 484,971 | - | - | 484,971 |
| Purchases of water | 370,627 | - | - | - | 370,627 |
| Waste disposal | - | - | - | - | - |
| Depreciation | 344,864 | 114,553 | 184,984 | 153 | 644,554 |
| Total operating expenses | <u>1,186,053</u> | <u>1,214,615</u> | <u>429,557</u> | <u>381,355</u> | <u>3,211,580</u> |
| Operating Income (loss) | <u>134,019</u> | <u>(167,779)</u> | <u>80,442</u> | <u>(29,209)</u> | <u>17,473</u> |
| <u>NONOPERATING REVENUE (EXPENSES)</u> | | | | | |
| Interest revenue | - | - | - | - | - |
| Interest expenses and fiscal charges | (103,804) | (30,505) | (35,573) | - | (169,882) |
| Other | - | - | - | - | - |
| Total nonoperating revenue (expenses) | <u>(103,804)</u> | <u>(30,505)</u> | <u>(35,573)</u> | <u>-</u> | <u>(169,882)</u> |
| Income (loss) before transfers | <u>30,215</u> | <u>(198,284)</u> | <u>44,869</u> | <u>(29,209)</u> | <u>(152,409)</u> |
| Capital Grants | 105,593 | - | - | - | 105,593 |
| Operating transfer in | - | - | - | - | - |
| Operating transfer out | - | - | - | - | - |
| Changes in net position | <u>135,808</u> | <u>(198,284)</u> | <u>44,869</u> | <u>(29,209)</u> | <u>(46,816)</u> |
| Net position - beginning | <u>4,076,415</u> | <u>791,763</u> | <u>2,081,290</u> | <u>54,423</u> | <u>7,003,891</u> |
| Net position - ending | <u>\$ 4,212,223</u> | <u>\$ 593,479</u> | <u>\$ 2,126,159</u> | <u>\$ 25,214</u> | <u>\$ 6,957,075</u> |

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

**CITY OF FULTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND

| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
|--|-------------------------|-----------------------|-------------------------|---|--|
| Cash Flows from Operating Activities: | | | | | |
| Receipts from customers and users | \$ 1,323,421 | \$ 1,051,819 | \$ 513,852 | \$ 350,241 | \$ 3,239,333 |
| Payments to suppliers for goods and services | (577,177) | (691,346) | (135,391) | (334,143) | (1,738,057) |
| Payments to employees including fringe benefits | (154,854) | (357,737) | (102,208) | (13,530) | (628,329) |
| Cash payment in lieu of taxes | - | - | - | - | - |
| Net Cash provided (used) by Operating Activities | <u>591,390</u> | <u>2,736</u> | <u>276,253</u> | <u>2,568</u> | <u>872,947</u> |
| Cash Flows from Non-capital Financing Activities: | | | | | |
| Operating transfers in (out) | - | - | - | - | - |
| Other non-operating cash receipts | - | - | - | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

**CITY OF FULTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND | | | | |
|--|---|------------------------------|--------------------------------|--|---|
| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Principal payments - revenue bonds | \$ (108,000) | \$ - | \$ (27,000) | \$ - | \$ (135,000) |
| Principal payments - capital lease | (117,408) | (68,954) | - | - | (186,362) |
| Capital Grant | 67,828 | - | - | - | 67,828 |
| Principal payments - notes | - | - | (33,271) | - | (33,271) |
| Payments for capital acquisitions | (250,289) | (32,122) | (82,345) | (4,719) | (369,475) |
| Interest and fiscal charges paid | <u>(111,454)</u> | <u>(30,505)</u> | <u>(35,573)</u> | <u>-</u> | <u>(177,532)</u> |
| Net cash (used) provided for Capital Related Financing Activities: | <u>(519,323)</u> | <u>(131,581)</u> | <u>(178,189)</u> | <u>(4,719)</u> | <u>(833,812)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Receipts of interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,081,289</u> |
| Net cash provided from Investing Activities: | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in cash | 72,067 | (128,845) | 98,064 | (2,151) | 39,135 |
| Cash and Cash Equivalents 9-30-15 | <u>1,043,082</u> | <u>558,518</u> | <u>292,592</u> | <u>44,986</u> | <u>1,939,178</u> |
| Cash and Cash Equivalents 9-30-16 | <u>\$ 1,115,149</u> | <u>\$ 429,673</u> | <u>\$ 390,656</u> | <u>\$ 42,835</u> | <u>\$ 1,978,313</u> |

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

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CITY OF FULTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND | | | | |
|---|---|------------------------------|--------------------------------|--|---|
| | <u>WATER SYSTEM</u> | <u>GAS SYSTEM</u> | <u>SEWER SYSTEM</u> | <u>NONMAJOR FUND GARBAGE SYSTEM</u> | <u>TOTAL BUSINESS TYPE FUNDS</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 134,019 | \$ (167,779) | \$ 80,442 | \$ (29,209) | \$ 17,473 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 344,864 | 114,553 | 184,984 | 153 | 644,554 |
| (Increase) decrease in prepaid expense | 283 | 436 | - | - | 188 |
| (Increase) decrease in deferred outflows | 6,737 | 15,721 | 4,492 | 1,123 | |
| (Increase) decrease in receivables | (4,579) | (4,288) | 3,853 | (1,905) | (75,836) |
| (Increase) decrease in provision for uncollectible accounts | - | - | - | - | - |
| (Increase) decrease in inventory | 2,190 | (117) | (3,853) | - | (1,780) |
| Net changes in customer deposits | 7,928 | 9,271 | - | - | 30,073 |
| Increase (decrease) in unfunded pension liability | 17,871 | 41,699 | 11,914 | 2,979 | |
| Increase (decrease) in deferred outflows-pensions | (4,895) | (11,421) | (3,263) | (816) | |
| Increase (decrease) in accounts payable | 88,110 | (1,559) | (1,244) | 30,243 | 104,842 |
| Increase (decrease) in compensated absences | (1,138) | 6,220 | 840 | - | 685,729 |
| Increase (decrease) in accrued liabilities | - | - | (1,912) | - | (39,768) |
| Total adjustments | 457,371 | 170,515 | 195,811 | 31,777 | 855,474 |
| Net cash provided (used) by operating activities | \$ 591,390 | \$ 2,736 | \$ 276,253 | \$ 2,568 | \$ 872,947 |

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

**CITY OF FULTON
STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2016**

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

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

(a) Reporting Entity

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

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model, as defined by GASB Statement No. 34, the focus is either the City as a whole, or major individual funds (within the fund financial statements).

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

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

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements - (continued)

obligation of the government, these funds are not incorporated into the government-wide financial statements.

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

3. Measurement Focus and Basis of Accounting

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

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

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting – (continued)

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

The following major funds are used by the City:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting – (continued)

- c. The City additionally reports non-major funds consisting of the Garbage Collection Fund, which accounts for the operation of the City's Garbage Collection. Customers are billed monthly at a rate to cover the cost of providing such service.

Other Fund Types:

The City additionally, reports for the following fund type:

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

Non-Current Governmental Assets/Liabilities

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

4. Statement of Cash Flows

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

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

| | <u>Gas System</u> | <u>Sewer System</u> | <u>Water System</u> | <u>Garbage System</u> | <u>Total</u> |
|--|-----------------------|-------------------------|-------------------------|---------------------------|---------------------|
| Cash and Cash Equivalents | \$358,665 | \$390,656 | \$ 816,053 | \$42,835 | \$1,608,209 |
| Restricted Cash And Cash Equivalents | <u>71,008</u> | <u>-</u> | <u>299,096</u> | <u>-</u> | <u>370,104</u> |
| Total | <u>\$429,673</u> | <u>\$390,656</u> | <u>\$1,115,149</u> | <u>\$42,835</u> | <u>\$ 1,978,313</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Inventories and Prepaid Items

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

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

6. Capital Assets

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

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

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

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

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Compensated Absences

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

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

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

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

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statement of net assets.

8. Payable from Restricted Assets

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

| | <u>Sewer System</u> | <u>Gas System</u> | <u>Water System</u> |
|---|---------------------|-------------------|---------------------|
| Customer deposits | \$ - | \$ 71,008 | \$ 74,932 |
| Bond Cushion depreciation contingent and Debt Service Fund | <u>-</u> | <u>-</u> | <u>224,164</u> |
| | \$ <u>-</u> | \$ <u>71,008</u> | \$ <u>299,096</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The ordinances authorizing the Waste System Revenue Bonds require that the City establish the above revenue bond reserves. At September 30, 2016, the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

9. Capitalization of Interest

In Conformity with Financial Accounting Standards No. 34, Capitalization of Interest Cost, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest and fiscal charges incurred in the enterprise funds was \$ -0- for the year ended September 30, 2016.

10. Fund Equity/Net Positions

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

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

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

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

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Fund Equity/Net Positions – (continued)

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

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

| | <u>General Fund</u> | <u>Other Governmental Funds</u> |
|----------------------------------|---------------------|---|
| Fund Balances: | | |
| Non-spendable: | | |
| Prepaid Items | \$ 28,213 | \$ - |
| Total – Non-spendable | <u>\$ 28,213</u> | <u>\$ -</u> |
| Fund Balances: | | |
| Restricted: | | |
| Drug Fund | \$ - | \$ 4,798 |
| Debt Service | - | 226,761 |
| Tourism Tax | - | 107,484 |
| Gaither House | - | 7,990 |
| Fire Protection | <u>-</u> | <u>69,278</u> |
| Total Restricted | <u>\$ -</u> | <u>\$ 416,311</u> |
| Committed: | <u>\$ -</u> | <u>\$ -</u> |
| Total Committed | <u>\$ -</u> | <u>\$ -</u> |
| Assigned: | | |
| Subsequent year budget shortfall | \$ - | \$ - |
| Total Assigned | <u>\$ -</u> | <u>\$ -</u> |

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

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Use of Estimates

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

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2016, the cash balances included the following:

| <u>Account Balances</u> | | <u>Ownership of Funds</u> | |
|-------------------------|--------------------|---------------------------|--------------------|
| Demand deposits | \$4,323,984 | Governmental Funds | \$2,349,273 |
| Savings Account | 10,117 | Enterprise Funds | 1,978,313 |
| Other Cash | -0- | Fiduciary Fund | 6,515 |
| | <u>\$4,334,101</u> | | <u>\$4,334,101</u> |

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

At September 30, 2016, the City's deposits had a carrying amount of \$4,334,101 and a bank balance of \$4,390,229. Of the bank balance \$254,798 was covered by federal deposit insurance and the remainder were covered by the statewide collateral pool program as discussed above.

The City has designated Trustmark Bank as its official depository.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Investments

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

The City had no investments as of or during the year ended September 30, 2016.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risks

Custodial credit is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize the risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 30, 2016.

Concentration of Credit Risks

The City of Fulton had no investments at September 30, 2016, but had demand deposits with more than 5% of the total in Trustmark Bank. These demand deposits represented approximately 99% of total demand deposits.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE C- PROPERTY TAX

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

Appraised values are established by Itawamba County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2015 taxes are collected in December, 2015 and January, 2016. The 2015 taxes are levied to fund the 2015-2016 budget year. The assessed value upon which the 2015 taxes were based was \$21,909,825.

City property tax revenue is recorded in governmental funds as receivables and unavailable revenues at the time the tax attaches as an enforceable lien, which includes the 2016 taxes intended to fund the 2016-2017 budget year of \$863,087. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2016 taxes of \$863,087 are also included in unavailable revenue and not in current revenues in governmental activities because they are levied to fund the 2016-2017 budget year.

For the year ended September 30, 2016 the City assessed a tax rate of 31 mills.

NOTE D - RECEIVABLES

Receivables at September 30, 2016 for the government's individual major funds, non-major funds, and business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

| | <u>General</u> | <u>Water System</u> | <u>Gas System</u> | <u>Sewer System</u> | <u>Garbage System</u> | <u>Non-Major Funds</u> |
|---------------------|--------------------|-------------------------|-----------------------|-------------------------|---------------------------|----------------------------|
| Receivables | | | | | | |
| Taxes | \$ 831,526 | \$ - | \$ - | \$ - | \$ - | \$ 55,383 |
| Sales Tax | 267,493 | - | - | - | - | 12,771 |
| Accounts | - | 214,535 | 131,943 | 67,241 | 55,193 | - |
| Police Fines | <u>503,534</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Gross Receivable | 1,602,553 | 214,535 | 131,943 | 67,241 | 55,193 | 68,154 |
| Less: Allowance for | | | | | | |
| Uncollectables | <u>(302,120)</u> | <u>(30,181)</u> | <u>(20,797)</u> | <u>(10,114)</u> | <u>(7,652)</u> | <u>-</u> |
| Net receivables | <u>\$1,300,433</u> | <u>\$184,354</u> | <u>\$111,146</u> | <u>\$57,127</u> | <u>\$47,541</u> | <u>\$ 68,154</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

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

| | Balance September 30, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers and Other Adjustments</u> | Balance September 30, <u>2016</u> |
|--|---|---------------------|--------------------|--|---|
| Governmental Activities | | | | | |
| Capital assets not depreciated: | | | | | |
| Land | \$ 3,587,464 | \$ - | \$ - | \$ - | \$ 3,587,464 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>3,587,464</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,587,464</u> |
| Capital assets being depreciated: | | | | | |
| Building and improvements | 5,777,679 | 83,742 | - | - | 5,861,421 |
| Automotive and equipment | 3,573,383 | 160,000 | 20,178 | - | 3,713,205 |
| Infrastructure | <u>1,399,463</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,399,463</u> |
| Total capital assets being depreciated | 10,750,525 | 243,742 | 20,178 | - | 10,974,089 |
| Less accumulated depreciation | <u>6,731,417</u> | <u>602,317</u> | <u>(20,178)</u> | <u>-</u> | <u>7,313,556</u> |
| Total capital assets being depreciated, net | <u>4,019,108</u> | <u>(358,575)</u> | <u>-</u> | <u>-</u> | <u>3,660,533</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$ 7,606,572</u> | <u>\$ (358,575)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,247,997</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

| | Balance September 30, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers and Other Adjustments</u> | Balance September 30, <u>2016</u> |
|--|---|--------------------|--------------------|--|---|
| Business-Type Activities | | | | | |
| Water System | | | | | |
| Capital assets not depreciated: | | | | | |
| Land | \$ 46,009 | \$ - | \$ - | \$ - | \$ 46,009 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>46,009</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,009</u> |
| Capital assets being depreciated: | | | | | |
| Building and improvements | 5,204 | - | - | - | 5,204 |
| Automotive and equipment | 511,385 | 44,436 | - | - | 555,821 |
| Infrastructure-Systems | <u>14,726,274</u> | <u>205,853</u> | <u>-</u> | <u>-</u> | <u>14,932,127</u> |
| Total capital assets being depreciated | 15,242,863 | 250,289 | - | - | 15,493,152 |
| Less accumulated depreciation | <u>8,109,324</u> | <u>344,864</u> | <u>-</u> | <u>-</u> | <u>8,454,188</u> |
| Total capital assets being depreciated, net | <u>7,133,539</u> | <u>(94,575)</u> | <u>-</u> | <u>-</u> | <u>7,038,964</u> |
| Total Water System | | | | | |
| Capital Assets, Net | <u>\$ 7,179,548</u> | <u>\$ (94,575)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,084,973</u> |

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

| | Balance September 30, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | Transfers and Other <u>Adjustments</u> | Balance September 30, <u>2016</u> |
|--|---|--------------------|--------------------|--|---|
| Business-Type Activities | | | | | |
| Gas System | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 46,075 | \$ - | \$ - | \$ - | \$ 46,075 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>46,075</u> | - | - | - | <u>46,075</u> |
| Capital assets being depreciated | | | | | |
| Building and improvements | 72,668 | - | - | - | 72,668 |
| Automotive and equipment | 271,298 | 32,122 | - | - | 303,420 |
| Infrastructure-Systems | <u>3,155,000</u> | - | - | - | <u>3,155,000</u> |
| Total capital assets being depreciated | 3,498,966 | 32,122 | - | - | 3,531,088 |
| Less accumulated depreciation | <u>1,792,897</u> | <u>114,553</u> | - | - | <u>1,907,450</u> |
| Total capital assets being depreciated, net | <u>1,706,069</u> | <u>(82,431)</u> | - | - | <u>1,623,638</u> |
| Total Gas System | | | | | |
| Capital Assets, Net | <u>\$ 1,752,144</u> | <u>\$ (82,431)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,669,713</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

| | Balance September 30, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | Transfers and Other <u>Adjustments</u> | Balance September 30, <u>2016</u> |
|--|---|---------------------|--------------------|--|---|
| Business-Type Activities | | | | | |
| Sewer System | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 41,830 | \$ - | \$ - | \$ - | \$ 41,830 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>41,830</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>41,830</u> |
| Capital assets being depreciated | | | | | |
| Building and improvements | - | - | - | - | - |
| Automotive and equipment | 384,827 | 23,187 | - | - | 408,014 |
| Infrastructure-Systems | <u>6,188,165</u> | <u>59,158</u> | <u>-</u> | <u>-</u> | <u>6,247,323</u> |
| Total capital assets being depreciated | <u>6,572,992</u> | <u>82,345</u> | <u>-</u> | <u>-</u> | <u>6,655,337</u> |
| Less accumulated depreciation | <u>3,396,924</u> | <u>184,984</u> | <u>-</u> | <u>-</u> | <u>3,581,908</u> |
| Total capital assets being depreciated, net | <u>3,176,068</u> | <u>(102,639)</u> | <u>-</u> | <u>-</u> | <u>3,073,429</u> |
| Total Sewer System | | | | | |
| Capital Assets, Net | <u>\$ 3,217,898</u> | <u>\$ (102,639)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,115,259</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

| | Balance September 30, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers and Other Adjustments</u> | Balance September 30, <u>2016</u> |
|--|---|------------------|--------------------|--|---|
| Business-Type Activities | | | | | |
| Garbage System | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ - | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | - | - | - | - | - |
| Capital assets being depreciated | | | | | |
| Building and improvements | - | - | - | - | - |
| Automotive and equipment | 5,083 | 4,719 | - | - | 9,802 |
| Infrastructure-Systems | - | - | - | - | - |
| Total capital assets being depreciated | 5,083 | 4,719 | - | - | 9,802 |
| Less accumulated depreciation | 5,083 | 153 | - | - | 5,236 |
| Total capital assets being depreciated, net | - | 4,566 | - | - | 4,566 |
| Total Garbage System | | | | | |
| Capital Assets, Net | \$ - | \$ 4,566 | \$ - | \$ - | \$ 4,566 |
| Total Business-Type Capital Assets, Net | \$ 12,149,590 | \$ (275,079) | \$ - | \$ - | \$ 11,874,511 |

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E – CAPITAL ASSETS

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

Governmental Activities

| | |
|----------------------|--------------|
| General government | \$285,377 |
| Public safety | 47,266 |
| Public works | 194,930 |
| Fire Department | 38,820 |
| Emergency Management | 3,849 |
| Library | 14,846 |
| Park and Recreation | 14,351 |
| Animal Control | <u>2,878</u> |

Total Depreciation Expense – Government Activities **\$602,317**

Business – Type Activities

| | |
|-------------|------------|
| Natural gas | \$114,553 |
| Water | 344,864 |
| Sewer | 184,984 |
| Garbage | <u>153</u> |

Total Depreciation Expense – Business Type Activities **\$ 644,554**

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – LONG – TERM DEBT

General Long-Term Debt

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

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

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

General long-term debt balance and transactions for the year ended September 30, 2016 are as follows:

Governmental Activities

| | Final Maturity Date | Interest Rate | Beginning Balance 9/30/2015 | Additions | Repayments | Ending Balance 9/30/2016 | Due Within One Year |
|---|---------------------------|------------------|-----------------------------------|-------------------|-------------------|--------------------------------|---------------------------|
| Note-Bancorpsouth | 12/15/2020 | 2.13% | \$ - | \$ 150,000 | \$ - | \$ 150,000 | \$ 26,311 |
| Note-Three Rivers Planning & Dev. District | 9/1/2023 | 3%-4% | 302,899 | - | 31,215 | 271,684 | 34,776 |
| Note-Three Rivers Planning & Dev. District | 9/1/2023 | 3%-4% | 302,899 | - | 31,215 | 271,684 | 34,776 |
| Note-Mississippi Dev. Authority | 7/1/2031 | 3% | 1,919,742 | - | 96,648 | 1,823,094 | 99,506 |
| Limited Obligation Bonds | 10/1/2018 | 4.2%-6% | 145,000 | - | 45,000 | 100,000 | 50,000 |
| Comp Absences | | | 88,522 | 4,678 | - | 93,200 | 9,320 |
| Total Governmental Activities | | | <u>\$2,759,062</u> | <u>\$ 154,678</u> | <u>\$ 204,078</u> | <u>\$2,709,662</u> | <u>\$ 254,689</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – LONG – TERM DEBT – CONTINUED

Governmental Activities - (continued)

The principal and interest requirements of the above general obligation debt and industry obligations payable at September 30, 2016 are as follows:

| <u>Years Ending</u> <u>September 30</u> | <u>Limited Obligation Bonds</u> | | | <u>Industrial Notes</u> | | |
|--|---------------------------------|-------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2017 | 50,000 | 6,755 | 56,755 | 195,369 | 74,312 | 269,681 |
| 2018 | 50,000 | 4,265 | 54,265 | 203,548 | 66,135 | 269,683 |
| 2019 | - | - | - | 209,543 | 60,140 | 269,683 |
| 2020 | | | | 215,682 | 54,001 | 269,683 |
| 2021 | | | | 224,314 | 48,643 | 272,957 |
| 2022-2026 | - | - | - | 787,818 | 180,343 | 968,161 |
| 2027-2031 | - | - | - | 680,188 | 63,417 | 743,605 |
| Total | <u>\$ 100,000</u> | <u>\$ 11,020</u> | <u>\$ 111,020</u> | <u>\$ 2,516,462</u> | <u>\$ 546,991</u> | <u>\$ 3,063,453</u> |

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – LONG – TERM DEBT – CONTINUED

Business-Type-Activities

| | Final Maturity Date | Interest Rate | Beginning Balance 9/30/2015 | Additions | Repayments | Ending Balance 9/30/2016 | Due Within One Year |
|--------------------------------|---------------------------|------------------|-----------------------------------|-----------------|-------------------|--------------------------------|------------------------------|
| 1. Water System | | | | | | | |
| Series 2013 Revenue Bonds | 01/01/23 | 2.93% | \$ 2,268,000 | \$ - | \$ 108,000 | \$ 2,160,000 | \$ 108,000 |
| Siemens Lease Obligation | | | | | | | |
| Payable-Utility Meters | 09/30/28 | 2.91% | 1,827,301 | - | 117,408 | 1,709,893 | 120,865 |
| Compensated Absenses | | | 8,173 | - | 509 | 7,664 | 766 |
| Total Water System | | | <u>\$ 4,103,474</u> | <u>\$ -</u> | <u>\$ 225,917</u> | <u>\$ 3,877,557</u> | <u>\$ 229,631</u> |
| 2. Sewer System | | | | | | | |
| Series 2013 Revenue Bonds | 01/01/23 | 2.93% | \$ 562,000 | \$ - | \$ 27,000 | \$ 535,000 | \$ 27,000 |
| Mississippi Development Note | 06/01/32 | 3% | 737,431 | - | 33,271 | 704,160 | 35,347 |
| Compensated Absenses | | | 4,308 | 840 | - | 5,148 | 515 |
| Total Sewer System | | | <u>\$ 1,303,739</u> | <u>\$ 840</u> | <u>\$ 60,271</u> | <u>\$ 1,244,308</u> | <u>\$ 62,862</u> |
| 3. Gas System | | | | | | | |
| Siemens Lease Obligation | | | | | | | |
| Payable-Utility Meters | 09/30/28 | 2.91% | \$ 1,073,178 | \$ - | \$ 68,954 | 1,004,224 | \$ 70,984 |
| Compensated Absenses | | | 12,940 | 5,302 | - | 18,242 | 1,824 |
| Total Gas System | | | <u>\$ 1,086,118</u> | <u>\$ 5,302</u> | <u>\$ 68,954</u> | <u>\$ 1,022,466</u> | <u>\$ 72,808</u> |
| Total Business-Type Activities | | | <u>\$ 6,493,331</u> | <u>\$ 6,142</u> | <u>\$ 355,142</u> | <u>\$ 6,144,331</u> | <u>\$ 365,301</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – LONG – TERM DEBT - CONTINUED

Business – Type Activities – (continued)

The principal and interest requirements of the above revenue bonds, notes payable and lease obligations at September 30, 2016 are as follows:

| Years Ending September 30, | Notes Payable | | | Lease Obligations | | |
|-------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2017 | \$ 35,347 | \$ 20,536 | \$ 55,883 | \$ 191,849 | \$ 76,961 | \$ 268,810 |
| 2018 | 36,422 | 19,462 | 55,884 | 197,498 | 71,312 | 268,810 |
| 2019 | 37,530 | 18,354 | 55,884 | 203,313 | 65,497 | 268,810 |
| 2020 | 38,672 | 17,212 | 55,884 | 209,299 | 59,511 | 268,810 |
| 2021 | 39,848 | 16,036 | 55,884 | 215,461 | 53,349 | 268,810 |
| 2022-2026 | 218,174 | 61,244 | 279,418 | 1,176,279 | 167,771 | 1,344,050 |
| 2027-2031 | 253,435 | 24,384 | 277,819 | 520,418 | 17,195 | 537,613 |
| 2032 | 44,732 | 161 | 44,893 | - | - | - |
| Total | \$ 704,160 | \$ 177,389 | \$ 881,549 | \$ 2,714,117 | \$ 511,596 | \$ 3,225,713 |

| Years Ending September 30, | Revenue Bonds | | | Total | | |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2017 | \$ 135,000 | \$ 69,750 | \$ 204,750 | \$ 362,196 | \$ 167,247 | \$ 529,443 |
| 2018 | 135,000 | 67,050 | 202,050 | 368,920 | 157,824 | 526,744 |
| 2019 | 135,000 | 64,350 | 199,350 | 375,843 | 148,201 | 524,044 |
| 2020 | 140,000 | 61,600 | 201,600 | 387,971 | 138,323 | 526,294 |
| 2021 | 150,000 | 30,100 | 180,100 | 405,309 | 99,485 | 504,794 |
| 2022-2026 | 790,000 | 221,788 | 1,011,788 | 2,184,453 | 450,803 | 2,635,256 |
| 2027-2031 | 860,000 | 148,583 | 1,008,583 | 1,633,853 | 190,162 | 1,824,015 |
| 2032-2035 | 350,000 | 11,538 | 361,538 | 394,732 | 11,699 | 406,431 |
| Total | \$ 2,695,000 | \$ 674,759 | \$ 3,369,759 | \$ 6,113,277 | \$ 1,363,744 | \$ 7,477,021 |

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

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE G – CAPITAL LEASES

The City has entered into a capital lease agreement for capital assets under which they will become the property of the City when all terms of the lease agreement are met. The following schedule present the future minimum lease payments as of September 30, 2016.

| | Gas System <u>Meters</u> | Water System <u>Meters</u> | <u>Total</u> |
|--|--------------------------------|----------------------------------|---------------------|
| Minimum lease payments | | | |
| Years Ending September 30, | | | |
| 2017 | 99,460 | 169,350 | 268,810 |
| 2018 | 99,460 | 169,350 | 268,810 |
| 2019 | 99,460 | 169,350 | 268,810 |
| 2020 | 99,460 | 169,350 | 268,810 |
| 2021-2025 | 497,299 | 846,752 | 1,344,050 |
| 2026-2028 | 298,378 | 508,045 | 806,423 |
| | <u>1,193,515</u> | <u>2,032,198</u> | <u>3,225,713</u> |
| Less: amounts representing interest | <u>(189,291)</u> | <u>(322,305)</u> | <u>(511,596)</u> |
| Present value of minimum lease payments | <u>\$ 1,004,224</u> | <u>\$ 1,709,893</u> | <u>\$ 2,714,117</u> |

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

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

| | Gas System <u>Meters</u> | Water System <u>Meters</u> | <u>Total</u> |
|--------------------------------|--------------------------------|----------------------------------|---------------------|
| Capital asset discounted cost | \$ 1,176,442 | \$ 2,004,012 | \$ 3,180,454 |
| Less: accumulated amortization | <u>(196,312)</u> | <u>(334,407)</u> | <u>(530,719)</u> |
| Total | <u>\$ 980,130</u> | <u>\$ 1,669,605</u> | <u>\$ 2,649,735</u> |

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE H – INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2016 were \$ -0-.

Transfers between funds during the year were as follows:

| | Transfers <u>In</u> | Transfers <u>Out</u> |
|-----------------------------------|------------------------|-------------------------|
| Major Governmental Funds: | | |
| General Fund | \$ <u>17,226</u> | \$ <u>83,046</u> |
| Total Major Governmental Fund | <u>17,226</u> | <u>83,046</u> |
| Non-major Governmental Funds: | | |
| Park & Recreation | 50,000 | - |
| Gaither House and Tourism Fund | <u>-</u> | <u>17,226</u> |
| Total Special Revenue Funds | <u>50,000</u> | <u>17,226</u> |
| Debt Service Funds | <u>33,046</u> | <u>-</u> |
| Total Debt Service Funds | <u>33,046</u> | <u>-</u> |
| Total Non-major Governmental Fund | <u>83,046</u> | <u>17,226</u> |
| Major Enterprise Funds: | | |
| Water System Fund | - | - |
| Sewer System Fund | - | - |
| Gas System Fund | <u>-</u> | <u>-</u> |
| Total Major Enterprise Funds | <u>-</u> | <u>-</u> |
| Nonmajor Enterprise Funds | | |
| Waste Collection Fund | <u>-</u> | <u>-</u> |
| Total Non-major Enterprise Funds | <u>-</u> | <u>-</u> |
| Fiduciary Fund | <u>-</u> | <u>-</u> |
| Total all Funds | <u>\$ 100,272</u> | <u>\$ 100,272</u> |

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I – INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

Major Governmental Funds

General Fund

| | |
|---|-------------------|
| State of Miss - Municipal Aid & Gas Tax | \$ 5,910 |
| Homestead exemption | 62,327 |
| In Lieu of Taxes | 52,144 |
| State of Miss – Civil Defense | 33,107 |
| Itawamba County | 266,512 |
| TVA Franchise Tax | <u>147,292</u> |
| Total Governmental Funds | \$ <u>567,292</u> |

NOTE J – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

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

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

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

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

The individual Enterprise Funds have the following net working capital (current assets less current liabilities) at September 30, 2016:

| | |
|-------------------------|---------------------|
| Water | \$ 1,012,082 |
| Gas System | 426,206 |
| Sewer System | 350,285 |
| Waste Collection System | <u>60,133</u> |
| Total | \$ <u>1,848,706</u> |

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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE J – SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

Enterprise Funds operate in the City of Fulton, Mississippi geographic area. Their revenues are subject to the economic conditions of Fulton, Mississippi. At September 30, 2016, the Gas System Fund had extended credit to customers totaling \$131,943. Gas System Fund receivables are secured by customer deposits totaling \$71,008. The balance of the receivables is unsecured. At September 30, 2016, the Water System Fund had extended credit to customers totaling \$214,535. Water System Fund receivables are secured by customer deposits totaling \$74,932. The balances of the receivables are unsecured. At September 30, 2016, the Sewer System had extended credit to customers totaling \$67,241. The receivables are not secured. At September 30, 2016, the Non-major Enterprise Fund had extended credit to customers totaling \$53,193. The Non-major Enterprise receivables are not secured.

Gas System Fund accounts payable – operations consist of \$4,775 for operations. The Water System Fund accounts payable – operations consist of \$104,465 for operations. The Sewer System Fund Accounts payable operation consists of \$40,750. The Non-major Enterprise fund accounts payable were \$30,243 at September 30, 2016.

NOTE K – RELATED PARTY TRANSACTIONS

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

NOTE L - COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES

Grant Audit

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

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

NOTE M – RISK MANAGEMENT CLAIMS AND JUDGEMENTS

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE N – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Fulton, Mississippi evaluated the activity of the city through June 30, 2017, and determined that there was no subsequent event that required adjustment to or disclosure in the financial statements.

NOTE O – POST EMPLOYMENT BENEFITS AND 125 CAFETERIA PLAN

Other Postemployment Benefits

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

NOTE P – NET POSITION - RESTRICTED

The Government-wide statement of net position reports \$640,475 of restricted net position.

NOTE Q - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

See Note R for further details.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note R – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years for those who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$255,809, \$255,745 and \$267,597 respectively, which equaled the required contributions for each year.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported a liability of \$4,672,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.0261 percent.

For the year ended September 30, 2016, the City recognized pension expense of \$575,057. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 135,044 | - |
| Net difference between projected and actual earnings on pension plan investments | \$ 304,740 | - |
| Changes of assumptions | \$ 237,886 | |
| Changes in proportion and differences between City's contributions and proportionate share of contributions | - | \$ 12,416 |
| City's contributions subsequent to the measurement date | \$ 58,773 | - |
| Total | <u>\$736,443</u> | <u>\$ 12,416</u> |

The \$58,773 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------------------|-------------------|
| Year ended September 30: | |
| 2017 | \$ 227,303 |
| 2018 | 171,142 |
| 2019 | 163,969 |
| 2020 | <u>102,841</u> |
| | <u>\$ 665,254</u> |

THE CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| U.S. Broad | 34% | 5.20% |
| International Equity | 19 | 5.00 |
| Emerging Markets Equity | 8 | 5.45 |
| Fixed Income | 20 | 0.25 |
| Real Assets | 10 | 4.00 |
| Private Equity | 8 | 6.15 |
| Cash | 1 | (0.50) |
| Total | <u>100 %</u> | |

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

THE CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease <u>(6.75%)</u> | Current Discount Rate <u>(7.75%)</u> | 1% Increase <u>(8.75%)</u> |
|--|-------------------------------|--|-------------------------------|
| City's proportionate share of the net pension liability | \$ 5,991,157 | \$ 4,672,472 | \$ 3,578,391 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

CITY OF FULTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED</u> | | <u>ACTUAL AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|------------------------|---------------------|---------------------|-----------------------|---|--|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>ADJUSTMENTS TO BUDGETARY BASIS</u> | <u>ACTUAL ON BUDGETARY TOTAL</u> | |
| <u>REVENUES</u> | | | | | | |
| Ad Valorem Taxes | \$ 923,380 | \$ 944,380 | \$ 989,399 | \$ (1,246) | \$ 988,153 | \$ 43,773 |
| Interest & Penalties | 5,000 | 4,000 | 3,978 | - | 3,978 | (22) |
| Printer Fees | 300 | 300 | 222 | - | 222 | (78) |
| Privilege Licenses | 11,000 | 11,500 | 11,595 | - | 11,595 | 95 |
| Municipal Revolving | 7,000 | 6,000 | 5,910 | - | 5,910 | (90) |
| Building Permits | 1,000 | 2,800 | 3,393 | - | 3,393 | 593 |
| Grant & Loans | - | - | 4,725 | - | 4,725 | 4,725 |
| TVA In Lieu of Taxes | 90,000 | 53,000 | 52,144 | - | 52,144 | (856) |
| City Sales Tax | 1,510,000 | 1,555,000 | 1,587,012 | (17,681) | 1,569,331 | 14,331 |
| Civil Defense | 30,000 | 32,400 | 33,107 | - | 33,107 | 707 |
| Itawamba County | 145,000 | 147,800 | 155,089 | (301) | 154,788 | 6,988 |
| Court Revenue | 100,500 | 92,500 | 116,877 | (24,195) | 92,682 | 182 |
| Interest | 2,000 | 3,500 | 3,900 | - | 3,900 | 400 |
| Rent | 500 | 500 | - | - | - | (500) |
| Other | 7,300 | 415,300 | 269,908 | - | 269,908 | (145,392) |
| Sale of Equipment/Land | - | - | 177,021 | - | 177,021 | 177,021 |
| TVA Franchise Tax | 126,000 | 147,000 | 147,292 | - | 147,292 | 292 |
| Total Revenues | \$ 2,958,980 | \$ 3,415,980 | \$ 3,561,572 | \$ (43,423) | \$ 3,518,149 | \$ 102,169 |

**CITY OF FULTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | <u>BUDGETED</u> | | <u>ACTUAL AMOUNTS</u> | | <u>VARIENCE WITH</u> | |
|----------------------------|-----------------|--------------|-----------------------|---|--|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>ADJUSTMENTS TO BUDGETARY BASIS</u> | <u>ACTUAL ON BUDGETARY TOTAL</u> | <u>FINAL BUDGET POSITIVE (NEGATIVE)</u> |
| <u>EXPENDITURES</u> | | | | | | |
| Finance and Administration | | | | | | |
| Personnel Services | \$ 301,150 | \$ 301,150 | 299,766 | \$ - | \$ 299,766 | \$ 1,384 |
| Supplies | 31,850 | 57,950 | 55,503 | - | 55,503 | 2,447 |
| Other Services and Charges | 213,600 | 238,600 | 241,609 | (17,542) | 224,067 | 14,533 |
| Capital Outlay | 88,046 | 88,046 | - | - | - | 88,046 |
| Total | 634,646 | 685,746 | 596,878 | (17,542) | 579,336 | 106,410 |
| Police | | | | | | |
| Personnel Services | 686,500 | 693,800 | 686,771 | - | 686,771 | 7,029 |
| Supplies | 62,000 | 62,000 | 49,958 | - | 49,958 | 12,042 |
| Other Services and Charges | 37,970 | 37,970 | 30,432 | (23) | 30,409 | 7,561 |
| Capital Outlay | - | 12,100 | 12,051 | - | 12,051 | 49 |
| Total | 786,470 | 805,870 | 779,212 | (23) | 779,189 | 26,681 |
| Fire | | | | | | |
| Personnel Services | 199,650 | 194,350 | 187,459 | - | 187,459 | 6,891 |
| Supplies | 32,700 | 62,700 | 57,980 | - | 57,980 | 4,720 |
| Other Services and Charges | 20,920 | 23,920 | 20,473 | 798 | 21,271 | 2,649 |
| Capital Outlay | - | 16,000 | 15,675 | - | 15,675 | 325 |
| Total | \$ 253,270 | \$ 296,970 | 281,587 | \$ 798 | \$ 282,385 | \$ 14,585 |

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CITY OF FULTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED</u> | | <u>ACTUAL AMOUNTS</u> | | <u>VARIANCE WITH</u> | |
|---------------------------------|-----------------|--------------|-----------------------|---|--|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>ADJUSTMENTS TO BUDGETARY BASIS</u> | <u>ACTUAL ON BUDGETARY TOTAL</u> | <u>FINAL BUDGET POSITIVE (NEGATIVE)</u> |
| <u>EXPENDITURES - continued</u> | | | | | | |
| Animal Control | | | | | | |
| Personnel Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supplies | 6,600 | 10,600 | 7,509 | - | 7,509 | 3,091 |
| Other Services and Charges | - | - | - | - | - | - |
| Capital Outlay | - | - | 1,707 | - | 1,707 | (1,707) |
| Total | 6,600 | 10,600 | 9,216 | - | 9,216 | 1,384 |
| Emergency Management | | | | | | |
| Personnel Services | 57,750 | 57,750 | 57,400 | - | 57,400 | 350 |
| Supplies | 8,700 | 8,700 | 3,260 | - | 3,260 | 5,440 |
| Other Services and Charges | 14,900 | 14,900 | 11,751 | - | 11,751 | 3,149 |
| Capital Outlay | - | - | - | - | - | - |
| Total | 81,350 | 81,350 | 72,411 | - | 72,411 | 8,939 |
| Street Department | | | | | | |
| Personnel Services | 544,397 | 459,797 | 450,747 | - | 450,747 | 9,050 |
| Supplies | 278,000 | 310,500 | 298,966 | - | 298,966 | 11,534 |
| Other Services and Charges | 179,700 | 165,700 | 149,525 | 217 | 149,742 | 15,958 |
| Capital Outlay | 35,600 | 44,850 | 44,763 | - | 44,763 | 87 |
| Total | 1,037,697 | 980,847 | 944,001 | 217 | 944,218 | 36,629 |
| National Guard Armory | | | | | | |
| Other Services and Charges | 1,500 | 1,500 | 1,500 | - | 1,500 | - |
| Total | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ - | \$ 1,500 | \$ - |

CITY OF FULTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED</u> | | <u>ACTUAL AMOUNTS</u> | | <u>VARIANCE WITH</u> | |
|--|-----------------|--------------|-----------------------|---|--|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>ADJUSTMENTS</u> <u>TO BUDGETARY</u> <u>BASIS</u> | <u>ACTUAL ON</u> <u>BUDGETARY</u> <u>TOTAL</u> | <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u> |
| <u>EXPENDITURES - continued</u> | | | | | | |
| Library & Grammar School | | | | | | |
| Other Services and Charges | \$ 67,950 | \$ 87,950 | \$ 81,785 | \$ - | \$ 81,785 | \$ 6,165 |
| Total | 67,950 | 87,950 | 81,785 | - | 81,785 | 6,165 |
| Court Fund | | | | | | |
| Other Services and Charges | 64,000 | 59,000 | 55,952 | - | 55,952 | 3,048 |
| Total | 64,000 | 59,000 | 55,952 | - | 55,952 | 3,048 |
| Total Expenditures | 2,933,483 | 3,009,833 | 2,822,542 | (16,550) | 2,805,992 | 203,841 |
| Excess Revenues | | | | | | |
| Over (Under) Expenditures | 25,497 | 406,147 | 739,030 | (26,873) | 712,157 | (306,010) |
| Other Financing Sources (Uses): | | | | | | |
| Notes | - | - | - | - | - | - |
| Transfer In | - | 17,200 | 17,226 | - | 17,226 | (26) |
| Transfer (Out) | - | (83,046) | (83,046) | - | (83,046) | - |
| Total Other Financing Sources (Uses) | - | (65,846) | (65,820) | - | (65,820) | (26) |
| Non-Financing Sources | | | | | | |
| Donations | - | - | - | - | - | - |
| Total Non-Financing Sources | - | - | - | - | - | - |
| Excess of Revenues | | | | | | |
| & Other Sources | | | | | | |
| Over (Under) Expenditures & Other Uses | 25,497 | 340,301 | 673,210 | (26,873) | 646,337 | (306,036) |
| Fund Balance - October 1, 2015 | (1,279,290) | 229,121 | 1,487,024 | - | 1,296,125 | (1,056,826) |
| Fund Balance - September 30, 2016 | \$ (1,253,793) | \$ 569,422 | \$ 2,160,234 | \$ (26,873) | \$ 2,133,361 | \$ 2,106,488 |

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 -BUDGETARY INFORMATION

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

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

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

NOTE 2 – PENSION SCHEDULES

- A. *Changes of benefit terms.* None identified during periods presented in the required supplementary information.
- B. *Changes in assumptions.* In 2015 and later, the expectation of retired life mortality was changed to the RP-2015 Healthy Annuitant Blue Collar Table projected to 2016 using scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than RP-2000 Disabled Mortality Table which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3.00% and 8.00% to 7.75%, respectively.

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 2 – PENSION SCHEDULES – (continued)

- C. *Changes in size or composition of the population covered by the benefit terms.*
None identified during periods presented in the required supplementary information.

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

BUDGETARY INFORMATION - CONTINUED

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

| | |
|---|--------------------|
| Revenue | |
| Receivables | <u>(43,423)</u> |
| Total | <u>(43,423)</u> |
| Expenditures | |
| Accounts payable paid after 30 day | - |
| Prepaid expenses | 1,292 |
| Reclassification for Bad Debt Allowance-Court Fines | <u>(17,842)</u> |
| Total | <u>(16,550)</u> |
| Net difference in budgetary basis and actual | <u>\$ (26,873)</u> |

CITY OF FULTON
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| City's proportion of the net pension liability (asset) | 0.0262% | 0.0283% |
| City's proportionate share of the net pension liability (asset) | <u>\$ 4,672,472</u> | <u>\$ 4,374,621</u> |
| City's's covered-employee payroll | <u>\$ 1,624,185</u> | <u>\$ 1,623,774</u> |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | <u>287.69%</u> | <u>269.41%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>61.70%</u> | <u>67.21%</u> |

See accompanying notes to the financial statements.

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF FULTON
SCHEDULE OF CITY'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| | 2016 | 2015 |
|--|--------------|--------------|
| Contractually required contribution | \$ 255,809 | \$ 255,744 |
| Contributions in relation to the contractually required contribution | 255,809 | 255,744 |
| Contribution deficiency (excess) | <u>0</u> | <u>0</u> |
| City's covered-employee payroll | \$ 1,624,185 | \$ 1,623,774 |
| Contributions as a percentage of covered-employee payroll | 15.75% | 15.75% |

See accompanying notes to the financial statements.

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF FULTON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | <u>PARK & RECREATION</u> | <u>DEBT SERVICE</u> | <u>TOURISM TAX</u> | <u>FIRE PROTECTION</u> | <u>GAITHER HOUSE</u> | <u>NARCOTICS</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|--|----------------------------------|-------------------------|------------------------|----------------------------|--------------------------|------------------|--|
| ASSETS | | | | | | | |
| Cash | \$ 100,010 | \$ 226,761 | \$ 94,713 | \$ 68,892 | \$ 7,990 | 4,798 | \$ 503,164 |
| Other Accounts Receivable | - | - | - | 404 | - | - | 404 |
| Accounts Receivable- Taxes | 54,979 | - | 12,771 | - | - | - | 67,750 |
| Total Assets | <u>154,989</u> | <u>226,761</u> | <u>107,484</u> | <u>69,296</u> | <u>7,990</u> | <u>4,798</u> | <u>571,318</u> |
| LIABILITIES | | | | | | | |
| Accrued Expenses | - | - | - | - | - | - | - |
| Accounts Payable | 5,322 | - | - | 18 | - | - | 5,340 |
| Total Liabilities | <u>5,322</u> | <u>-</u> | <u>-</u> | <u>18</u> | <u>-</u> | <u>-</u> | <u>5,340</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue | 52,303 | - | - | - | - | - | 52,303 |
| Total Deferred Inflows of Resources | <u>52,303</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,303</u> |
| FUND BALANCE | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | 226,761 | 107,484 | 69,278 | 7,990 | 4,798 | 416,311 |
| Committed | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | 97,364 | - | - | - | - | - | 97,364 |
| Total Fund Balance | <u>97,364</u> | <u>226,761</u> | <u>107,484</u> | <u>69,278</u> | <u>7,990</u> | <u>4,798</u> | <u>513,675</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 154,989</u> | <u>\$ 226,761</u> | <u>\$ 107,484</u> | <u>\$ 69,296</u> | <u>\$ 7,990</u> | <u>\$ 4,798</u> | <u>\$ 571,318</u> |

CITY OF FULTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

| | <u>PARK & RECREATION</u> | <u>DEBT SERVICE</u> | <u>TOURISM TAX</u> | <u>FIRE PROTECTION</u> | <u>GAITHER HOUSE</u> | <u>DRUG</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|---|----------------------------------|-------------------------|------------------------|----------------------------|--------------------------|-----------------|--|
| <u>REVENUE</u> | | | | | | | |
| Ad Valorem Taxes | \$ 67,205 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 67,205 |
| Sales Taxes | - | - | 60,055 | - | - | - | 60,055 |
| Program Fees & Dues | 27,420 | - | - | - | - | - | 27,420 |
| Concession | 53,296 | - | - | - | - | - | 53,296 |
| Other | 50 | - | 2,441 | 27,974 | 33,190 | 5,000 | 68,655 |
| Rent | - | 64,478 | - | - | - | - | 64,478 |
| Interest Income | - | - | - | - | - | - | - |
| Total Revenue | <u>147,971</u> | <u>64,478</u> | <u>62,496</u> | <u>27,974</u> | <u>33,190</u> | <u>5,000</u> | <u>341,109</u> |
| <u>EXPENDITURES</u> | | | | | | | |
| Personal Service | 181,401 | - | - | - | - | - | 181,401 |
| Supplies | 23,654 | - | - | - | - | - | 23,654 |
| Other Cost | 58,817 | - | 29,990 | 2,552 | - | 4,792 | 96,151 |
| Capital Improvements | 26,072 | - | - | 160,000 | 13,986 | - | 200,058 |
| Principal Retirement | - | 204,078 | - | - | - | - | 204,078 |
| Interest and Fiscal Charges | - | 87,791 | - | - | - | - | 87,791 |
| Total Expenditures | <u>289,944</u> | <u>291,869</u> | <u>29,990</u> | <u>162,552</u> | <u>13,986</u> | <u>4,792</u> | <u>793,133</u> |
| Excess (Deficit) of Revenues Over (Under) | | - | | | | | |
| Expenditures | <u>(141,973)</u> | <u>(227,391)</u> | <u>32,506</u> | <u>(134,578)</u> | <u>19,204</u> | <u>208</u> | <u>(452,024)</u> |
| Other Financing | | - | | 150,000 | | | 150,000 |
| Transfers In (Out) | <u>50,000</u> | <u>33,046</u> | <u>-</u> | <u>-</u> | <u>(17,226)</u> | <u>-</u> | <u>65,820</u> |
| Total Other Financing | <u>50,000</u> | <u>33,046</u> | <u>-</u> | <u>150,000</u> | <u>(17,226)</u> | <u>-</u> | <u>215,820</u> |
| Excess (Deficit) of Revenues and Other Sources Over Expenditures | <u>(91,973)</u> | <u>(194,345)</u> | <u>32,506</u> | <u>15,422</u> | <u>1,978</u> | <u>208</u> | <u>(236,204)</u> |
| Fund Balance | | | | | | | |
| Fund Balance - 10/1/15 | <u>189,337</u> | <u>421,106</u> | <u>74,978</u> | <u>53,856</u> | <u>6,012</u> | <u>4,590</u> | <u>749,879</u> |
| Fund Balance - 9/30/16 | <u>\$ 97,364</u> | <u>\$ 226,761</u> | <u>\$ 107,484</u> | <u>\$ 69,278</u> | <u>\$ 7,990</u> | <u>\$ 4,798</u> | <u>\$ 513,675</u> |

**CITY OF FULTON, MISSISSIPPI
SCHEDULE OF SURETY BONDS
SEPTEMBER 30, 2016**

| <u>NAME</u> | <u>POSITION</u> | <u>COMPANY</u> | <u>BOND</u> |
|---------------------|-----------------|----------------|----------------|
| Lynette Weatherford | Mayor | Western Surety | \$100,000 |
| Lisa Russell | City Clerk | Western Surety | \$200,000 |
| Reggie Johnson | Police Chief | Western Surety | \$ 50,000 |
| Hayward Wilson | Aldersperson | Western Surety | \$ 50,000 |
| Michael Nanney | Aldersperson | Western Surety | \$ 50,000 |
| Joey Steele | Aldersperson | Western Surety | \$ 50,000 |
| Barry Childers | Aldersperson | Western Surety | \$ 50,000 |
| Elizabeth Beasley | Aldersperson | Western Surety | \$ 50,000 |
| Deputy Clerks (4) | | Western Surety | \$ 50,000 each |
| Police Officers | | Western Surety | \$ 25,000 each |

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MIKE DOZIER, C.P.A., P.C.

P. O. BOX 217

FULTON, MISSISSIPPI 38843

*Member American Institute of Certified Public Accountants
Member Mississippi Society of Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of The City of Fulton, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Fulton, Mississippi's basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are labeled as items 2016-1, 2016-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency as item 2016-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fulton, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2016-2.

City of Fulton, Mississippi's Response to Findings

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

Purpose of this Report

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



Mike Dozier
Certified Public Accountant, P.C.

Fulton, Mississippi
June 20, 2017

MIKE DOZIER, C.P.A., P.C.

P. O. BOX 217

FULTON, MISSISSIPPI 38843

*Member American Institute of Certified Public Accountants
Member Mississippi Society of Certified Public Accountants*

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fulton, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City of Fulton, Mississippi's basic financial statements and have issued our report thereon dated June 20, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

The results of those procedures and our audit of the financial statements disclosed material instances of noncompliance with state laws and regulations and which are described in the accompanying schedule of findings and responses as item number 2016-2.

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

City of Fulton, Mississippi's Response to Findings

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

Purpose of this Report

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

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management, Board of Alderpersons, and the Office of the State Auditor 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.



Mike Dozier,
Certified Public Accountant, P.C.

Fulton, Mississippi
June 20, 2017

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**CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Finding – Financial Statement Audit
Reportable Conditions**

2016-1. Segregation of Duties

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

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

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

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

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

Response: We concur with the recommendation.

2016-2. General Fixed Assets

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

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

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

CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

2016-2. General Fixed Assets (continued)

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

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

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

MATERIAL WEAKNESSES

2016-3. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

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

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

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

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

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

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

**CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS-CONTINUED

2016-4. Police Fine Collection Efforts

Condition: The delinquent police fine receivables are increasing.

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

Effect: The police fines receivables increased by \$29,737 during the year ended September 30, 2016.

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

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

Response: We concur with the recommendation. The City is currently using a collection agency to assist in the collection of outstanding fines.

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**CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

2015-1. Segregation of Duties

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

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

Status: This is still a finding in this report. See current year Finding No. 2016-1.

2015-2. General Fixed Assets

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

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

Status: This is still a Finding in this report. See current year Finding No. 2016-2.

CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

2015-3. Outsourcing Financial Statements and related Notes, and Supplementary Information Preparation

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

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

Status: This is still a Finding in this report. See current Finding 2016-3.

2015-4. Police Fine Collection Efforts

Condition: The delinquent police fine receivables are increasing.

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

Status: This is still a Finding in this report. See current year Finding No. 2016-4.

