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CITY OF FULTON, MISSISSIPPI

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

SEPTEMBER 30, 2021

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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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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 Alderpersons
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, 2021, 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, 2021, 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, notes to required supplementary information on pages 63-65, 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 non-major fund Financial Statements and the schedule of surety bonds for municipal officials, 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 September 20, 2022, 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
September 20, 2022

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021. 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 \$11,698,016 (net position).

The governments total net position increased by \$721,944 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 \$3,754,491 an increase of \$512,803 during the current fiscal year.

Approximately 95% of this total amount, or \$3,576,677 is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,575,791.

The City had fixed asset net additions of \$342,392 during the current year. Of this amount, \$200,771 occurred in the governmental activities and \$141,621 occurred in the business type activities.

The City's total debt decreased by (\$569,203) during the current fiscal year. This change resulted from debt repayments net of amortization of \$569,203.

The City's governmental fund property taxes increased by approximately \$29,817, and sales taxes increased by \$205,598.

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, 2021

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, 2021

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.

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
SEPTEMBER 30, 2021

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 \$11,698,016 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (87 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 3 percent or \$365,575) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reported an unrestricted amount of \$1,178,433.

At the end of the current fiscal year, the City reported an unrestricted deficit net position in governmental activities of \$356,806 while all other categories of net positions reported positive balances both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net position increased by \$721,944 during the current fiscal year. This increase was mainly due to the \$73,129 increase in net position from the business-type activities and an increase in net position of the governmental activities of \$648,815 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.

Government - Wide Financial - Analysis Continued

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CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2021

Government - Wide Financial - Analysis Continued

City of Fulton, Mississippi's Changes in Net Position

	Governmental			Business-Type			Total			
	2021	2020	Increase (Decrease)	% Change	2021	2020	2021	2020	Increase (Decrease)	% Change
Revenue										
Program revenue:										
Charges for services	\$ 216,773	\$ 202,274	\$ 14,499	7%	\$ 3,505,209	\$ 3,398,003	\$ 3,721,982	\$ 3,600,277	\$ 121,705	3%
Capital grants and other	142,772	-	142,772	#DIV/0!	200,000	21,300	342,772	21,300	321,472	1509%
General revenue:										
Property taxes and late fees	1,070,818	1,041,001	29,817	3%	-	-	1,070,818	1,041,001	29,817	3%
Homestead exemption	57,836	60,755	(2,919)	-5%	-	-	57,836	60,755	(2,919)	-5%
Sales taxes	1,913,328	1,707,730	205,598	12%	-	-	1,913,328	1,707,730	205,598	12%
Other State aid	159,133	-	159,133	100%	-	-	159,133	-	159,133	100%
Franchise tax	163,477	160,271	3,206	2%	-	-	163,477	160,271	3,206	2%
TVA and other payment in lieu of taxes	102,603	100,126	2,477	2%	-	-	102,603	100,126	2,477	2%
Road tax and advalorem privilege tax	250,169	208,545	41,624	20%	-	-	250,169	208,545	41,624	20%
Municipal aid and gasoline tax	1,955	4,314	(2,359)	-55%	-	-	1,955	4,314	(2,359)	-55%
Earnings on investments	45,678	61,363	(15,685)	-26%	-	-	45,678	61,363	(15,685)	-26%
Other	111,487	160,537	(49,050)	-31%	-	-	111,487	160,537	(49,050)	-31%
Total revenue	\$ 4,236,029	\$ 3,706,916	\$ 529,113	14%	\$ 3,705,209	\$ 3,419,303	\$ 7,941,238	\$ 7,126,219	\$ 815,019	11%

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
SEPTEMBER 30, 2021

Government - Wide Financial - Analysis Continued

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

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)		% Change	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Expenses:										
General government	\$ 751,335	\$ 853,497	\$ -	\$ -	\$ 751,335	\$ 853,497	\$ -	\$ -	-12%	(102,162)
Public safety	970,948	1,011,348	-	-	970,948	1,011,348	-	-	-4%	(40,400)
Public works	826,475	851,552	-	-	826,475	851,552	-	-	-3%	(25,077)
Culture and recreation	255,128	268,208	-	-	255,128	268,208	-	-	-5%	(13,080)
Fire protection	285,057	319,359	-	-	285,057	319,359	-	-	-11%	(34,302)
Emergency management	65,915	78,682	-	-	65,915	78,682	-	-	-16%	(12,767)
Other programs	175,501	163,898	-	-	175,501	163,898	-	-	7%	11,603
Interest and fiscal charges	43,634	40,565	-	-	43,634	40,565	-	-	8%	3,069
Water	-	-	1,297,745	1,414,282	1,297,745	1,414,282	(116,537)	-	-8%	(116,537)
Gas	-	-	1,540,657	1,339,104	1,540,657	1,339,104	201,553	-	15%	201,553
Sewer	-	-	595,642	547,858	595,642	547,858	47,784	-	9%	47,784
Garbage	-	-	411,257	414,581	411,257	414,581	(3,324)	-	-1%	(3,324)
Total expenses	3,373,993	3,587,109	3,845,301	3,715,825	7,219,294	7,302,934	129,476	3%	-6%	(83,640)
Increase (decrease) in net position before transfers	862,036	119,807	(140,092)	(296,522)	721,944	(176,715)	156,430	-	-	898,659
Transfers	(213,221)	(46,440)	213,221	46,440	-	-	166,781	0%	0%	-
Increase (decrease) in net position	648,815	73,367	73,129	(250,082)	721,944	(176,715)	323,211	-129%	-509%	898,659
Net position - beginning	4,001,546	4,056,263	6,974,526	7,224,607	10,976,072	11,280,870	(250,081)	-3%	-3%	(304,798)
Prior period adjustment	-	(128,084)	-	-	-	(128,084)	-	0%	0%	128,084
Net position - beginning as restated	4,001,546	3,928,179	6,974,526	7,224,607	10,976,072	11,152,786	(250,081)	-3%	-2%	(176,714)
Net position - ending	\$ 4,650,361	\$ 4,001,546	\$ 7,047,655	\$ 6,974,526	\$ 11,698,016	\$ 10,976,071	\$ 73,130	-133%	7%	721,945

CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2021

Government-Wide Financial Analysis (continued)

Governmental Activities. Governmental activities increased the City's net position by \$648,815 as a result of this year's operations. By comparison governmental activities reported a \$73,367 increase for the prior year. Key elements of the changes were as follows:

The City's earnings on investments decreased by approximately (\$15,685) and charges for services increased by \$14,499. Payments in lieu of taxes increased by \$2,477. Road taxes and advalorem taxes from Itawamba County increased \$41,624. The City's property taxes increased \$29,817, and sales taxes increased \$205,598. Other state aid increased \$159,139 and grants increased \$142,772

General government expenses decreased by (\$102,162) (12 percent), public safety expenses decreased by (\$40,400) (4 percent), public works decreased by (\$25,077) (3 percent), culture and recreation decreased by (\$13,080) (5 percent), fire protection decreased (\$34,302), emergency management decreased (\$12,767) and other programs increased by \$11,603 (7 percent), and interest and fiscal charges increased by \$3,069 (8 percent).

Business-Type Activities. Business-type activities increased the City's net position by \$73,129 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 (\$250,082). Key elements of this decrease over the prior year are as follows:

Charges for services for business-type activities increased \$107,206, or 3 percent, compared to the prior year. This was the result of the variations in natural gas sold. Capital grants and other increased \$178,700 compared to the prior year.

Expenses increased approximately 3 percent or \$129,476. Natural gas expenditures increased by \$201,553 (23%). Gas purchases increased \$189,754. Water expenditures decreased (\$116,537) (8%).

Water purchases increased by \$8,897.

Sewer expenditures increased \$47,784 (9%). Garbage expenditures decreased (\$3,324) (1%).

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, 2021

Governmental Funds (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,754,491, an increase of \$512,803 in comparison with the prior year. Approximately 95 percent of this total amount \$3,576,677 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 \$36,403, and 2) restricted \$141,411, (\$136,966 for tourism, \$656 for fire protection, and \$3,789 for drug prevention).

The increase of \$512,803 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 \$542,444.
- . The Special Revenue – Park and Recreation Fund decreased (\$3,222).
- . The Tourism Tax Fund increased \$9,342.
- . The Narcotics Fund decreased (\$819).
- . The Fire Protection Fund decreased (\$31,331).
- . The Debt Service decreased (\$3,611)

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 \$3,575,791, while total fund balance was \$3,612,194. 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 120 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 (\$252,047) deficit, \$422,184, \$633,726 and \$17,764 respectively. The gas system fund had an increase in net position for the year of \$12,028, the water system fund had a decrease in net position for the year of (\$30,119), the sewer system fund had an increase in net position for the year of \$87,859, and the waste collection fund had an increase of \$3,361. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2021**

General Fund Budgetary Highlights

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 \$971,924.

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, 2021, amounted to \$16,008,086 (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. Park Improvements & Equipment	\$ 29,863
2. Street Department Equipment & Vehicles	99,874
3. Fire Equipment	15,211
4. Gas Department System	135,221
5. Sewer Department	6,400
6. Library	3,326
7. Police Vehicle	49,997

	Governmental Activities	Business-Type Activities	Total
Land	\$ 3,536,988	\$ 135,536	\$ 3,672,524
Buildings and Improvements	5,250,735	81,872	5,332,607
Automotive, equipment and systems	5,697,055	27,795,502	33,492,557
Less: Accumulated depreciation	(9,077,110)	(17,412,492)	(26,489,602)
Total	<u>\$ 5,407,668</u>	<u>\$ 10,600,418</u>	<u>\$ 16,008,086</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 \$5,854,078.

**CITY OF FULTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2021**

City of Fulton, Mississippi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Notes	\$ -	\$2,598,554	\$2,598,554
Revenue Bonds	-	2,000,000	2,000,000
Industrial Note	<u>1,255,524</u>	<u>-</u>	<u>1,255,524</u>
Total	<u>\$ 1,255,524</u>	<u>\$ 4,598,554</u>	<u>\$5,854,078</u>

The City's total debt decreased by (\$569,203) 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 2021-22 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 Ceburn Gray, City Clerk, 213 W. Wiygul St., Fulton, Mississippi 38843.

CITY OF FULTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	GOVERNMENTAL	BUSINESS-TYPE	
ASSETS	ACTIVITIES	ACTIVITIES	TOTAL
Cash and cash equivalents	\$ 3,921,326	\$ 1,446,435	\$ 5,367,761
Restricted cash and cash equivalents	-	488,110	488,110
Receivables(net, where applicable, of allowances for uncollectibles)	-	517,079	517,079
Accounts	-	-	966,871
Taxes	966,871	-	322,776
Police Fines	322,776	-	307,863
Due from other governments	307,863	-	39,978
Due from other funds	4,315	35,663	102,610
Supply Inventory	-	102,610	517
Meter deposits	280	237	42,875
Prepaid expenses	36,604	6,271	
Capital assets			
Land and right of ways	3,536,988	135,536	3,672,524
Other capital assets (net of accumulated depreciation)	1,870,680	10,464,882	12,335,562
Total assets	10,967,703	13,196,823	24,164,526
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	569,541	189,846	759,387
Total deferred outflows of resources	569,541	189,846	759,387
Total assets and deferred outflows of resources	\$ 11,537,244	\$ 13,386,669	\$ 24,923,913
LIABILITIES			
Accounts payable	\$ 109,491	\$ 38,789	\$ 148,280
Customer deposits	-	263,946	263,946
Accrued Liabilities	3,952	30,810	34,762
Due to other funds	1,441	35,663	37,104
Long-term debt & capital leases :			
Notes and bonds due within one year	116,712	199,043	315,755
Obligations under capital lease due within one year	-	221,805	221,805
Compensated absences due within one year	7,930	1,925	9,855
Obligations under capital lease due in more than one year	-	1,474,897	1,474,897
Compensated absences due in more than one year	71,364	17,339	88,703
Net pension liability due in more than one year	2,947,258	982,417	3,929,675
Notes and bonds due in more than one year	1,138,812	2,702,809	3,841,621
Total liabilities	4,396,960	5,969,443	10,366,403
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-unavailable tax revenue	941,919	-	941,919
Deferred inflows-unavailable grant revenue-ARPA	439,235	-	439,235
Deferred inflows - pensions	1,108,769	369,571	1,478,340
Total deferred inflows of resources	2,489,923	369,571	2,859,494
NET POSITION			
Net Investment in Capital Assets	4,152,144	6,001,864	10,154,008
Restricted for:			
Bond cushion, depreciation and contingency-expendable	-	224,164	224,164
Debt service	-	-	-
Tourism	136,966	-	136,966
Fire Protection	656	-	656
Narcotics Fund	3,789	-	3,789
Unrestricted (deficit)	356,806	821,627	1,178,433
Total net position	4,650,361	7,047,655	11,698,016
Total liabilities, deferred outflows of resources, and net position	\$ 11,537,244	\$ 13,386,669	\$ 24,923,913

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 751,335	22,228	\$ -	\$ -	(729,107)	\$ -	(729,107)
Public safety	970,948	135,698	-	-	(835,250)	-	(835,250)
Public works	826,475	-	-	-	(826,475)	-	(826,475)
Culture and recreation	255,128	58,847	-	-	(196,281)	-	(196,281)
Fire protection	285,057	-	-	-	(285,057)	-	(285,057)
Emergency management	65,915	-	-	-	(65,915)	-	(65,915)
Other programs	175,501	-	-	-	(175,501)	-	(175,501)
Interest and fiscal charges	43,634	-	-	-	(43,634)	-	(43,634)
Total government activities	3,373,993	216,773	-	-	(3,157,220)	-	(3,157,220)
Business-type Activities:							
Water	1,297,745	1,267,626	-	-	-	(30,119)	(30,119)
Gas	1,540,657	1,417,464	-	-	-	(123,193)	(123,193)
Sewer	595,642	483,501	200,000	-	-	87,859	87,859
Garbage	411,257	336,618	-	-	-	(74,639)	(74,639)
Total Business-Type Activities	3,845,301	3,505,209	200,000	-	-	(140,092)	(140,092)
TOTAL PRIMARY GOVERNMENT	\$ 7,219,294	\$ 3,721,982	\$ 200,000	\$ -	(3,157,220)	(140,092)	(3,297,312)
General revenues:							
Taxes							
Property taxes and late fees		1,070,818	-	-	-	-	1,070,818
Road tax and advalorem privilege tax		250,169	-	-	-	-	250,169
Municipal sales tax		1,913,328	-	-	-	-	1,913,328
Homestead exemption		57,836	-	-	-	-	57,836
Franchise tax		163,477	-	-	-	-	163,477
Other State aid		159,133	-	-	-	-	159,133
TVA and other payment in lieu of taxes		102,603	-	-	-	-	102,603
Municipal aid and gasoline tax		1,955	-	-	-	-	1,955
Other		111,487	-	-	-	-	111,487
Investment income		45,678	-	-	-	-	45,678
Grants		142,772	-	-	-	-	142,772
Transfers		(213,221)	-	-	213,221	-	-
Total		3,806,035	-	-	213,221	-	4,019,256
Change in net position		648,815	-	-	73,129	-	721,944
Net position - beginning		4,001,546	-	-	6,974,526	-	10,976,072
Net position - ending		\$ 4,650,361			\$ 7,047,655		\$ 11,698,016

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

**CITY OF FULTON
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021**

		NONMAJOR OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS	GENERAL		
Cash	\$ 3,793,607	\$ 127,719	\$ 3,921,326
Investments	-	-	-
Receivable (Net of Allowance for Uncollectibles)			
Taxes	891,193	75,678	966,871
Due From Other Governments	307,409	454	307,863
Police-Fines	322,776	-	322,776
Due From Other Funds	2,212	2,103	4,315
Prepaid Expenses	36,403	-	36,403
Meter Deposits	280	-	280
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,353,880</u>	<u>\$ 205,954</u>	<u>\$ 5,559,834</u>
 LIABILITIES			
Liabilities:			
Accounts Payable & Accrued Expenses	106,603	2,888	109,491
Due To Other Funds	1,441	-	1,441
	<u>108,044</u>	<u>2,888</u>	<u>110,932</u>
Total Liabilities			
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>1,633,642</u>	<u>60,769</u>	<u>1,694,411</u>
Total Deferred Inflows of Resources	<u>1,633,642</u>	<u>60,769</u>	<u>1,694,411</u>
 FUND BALANCES			
Nonspendable	36,403	-	36,403
Restricted	-	141,411	141,411
Committed	-	-	-
Assigned	-	-	-
Unassigned	3,575,791	886	3,576,677
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,612,194</u>	<u>142,297</u>	<u>3,754,491</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,353,880</u>	<u>\$ 205,954</u>	<u>\$ 5,559,834</u>

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

CITY OF FULTON
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Fund balances of governmental funds \$ 3,754,491

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	3,536,988
Other capital assets	10,947,790
Less: accumulated depreciation	<u>(9,077,110)</u>
Total capital assets	<u>5,407,668</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	313,458
Revenues - Property taxes	<u>-</u>
Total deferred revenues	<u>313,458</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. (3,952)

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	(1,255,524)
Unfunded pension liability	(2,947,258)
Deferred outflows	569,541
Deferred inflows	(1,108,769)
Compensated absences	<u>(79,294)</u>
Total long-term debt	<u>(4,821,304)</u>
Total net position of governmental activities	<u><u>\$ 4,650,361</u></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 BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>GENERAL</u>	<u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 1,058,815	\$ 69,839	\$ 1,128,654
Interest & Penalties	1,577	-	1,577
Printer Fees	330	-	330
Licenses	13,638	-	13,638
Municipal Aid & Gas Tax	1,975	-	1,975
Building Permits	6,683	-	6,683
Program Fees	-	31,933	31,933
Grants	142,772	-	142,772
In Lieu of Taxes	102,603	-	102,603
Municipal Sales Tax	1,839,904	73,424	1,913,328
Civil Defense	23,533	-	23,533
Itawamba County	250,169	-	250,169
Court Revenue	103,827	-	103,827
Interest	45,678	-	45,678
Other State Aid	159,133	-	159,133
Other	75,905	12,049	87,954
TVA Franchise Tax	163,477	-	163,477
Concession Revenue	-	26,914	26,914
	<u>3,990,019</u>	<u>214,159</u>	<u>4,204,178</u>
Total Revenues			
<u>EXPENDITURES</u>			
Finance and Administration	608,106	-	608,106
Police	1,025,838	-	1,025,838
Fire	271,993	-	271,993
National Guard and Airport	-	-	-
Animal Control	11,601	-	11,601
Emergency Management	62,044	-	62,044
Street Department	872,771	-	872,771

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 BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>GENERAL</u>	<u>NONMAJOR OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>EXPENDITURES-CONTINUED</u>			
Court Fund	\$ 44,068	\$ -	\$ 44,068
Library & Grammar School Building	74,835	-	74,835
Park & Recreation	-	272,540	272,540
Tourism	-	24,082	24,082
Fire Protection	-	2,482	2,482
Drug	-	9,900	9,900
Other	-	-	-
Debt Service Principle Retirement	-	152,846	152,846
Interest and Fiscal Charges	-	45,028	45,028
Total Expenditures	<u>2,971,256</u>	<u>506,878</u>	<u>3,478,134</u>
Excess (Deficit) of Revenues			
Over (Under) Expenditures	<u>1,018,763</u>	<u>(292,719)</u>	<u>726,044</u>
Other Financing			
Sources (Uses):			
Transfer In	3,611	263,078	266,689
Transfer (Out)	(479,930)	-	(479,930)
Proceeds from Sale of Fixed Assets	-	-	-
Total Other			
Financing			
Sources (Uses)	<u>(476,319)</u>	<u>263,078</u>	<u>(213,241)</u>
Excess (Deficit) of Revenues			
& Other Sources			
Over (Under) Expenditures & Other Uses	542,444	(29,641)	512,803
Fund Balances -			
October 1, 2020	<u>3,069,750</u>	<u>171,938</u>	<u>3,241,688</u>
Fund Balances -			
September 30, 2021	<u>\$ 3,612,194</u>	<u>\$ 142,297</u>	<u>\$ 3,754,491</u>

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

CITY OF FULTON
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds \$ 512,803

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	200,771
Depreciation expense	(337,567)
	(136,796)

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.	154,240
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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.	-
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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	-
Municipal court fines	31,871
	31,871

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	\$ -
Change in unfunded pension liability	934,286
Change in deferred outflow (inflows) of resources	(842,141)
(Increase) decrease in compensated absences	(5,448)
	86,697
Changes in net position of governmental activities.	\$ 648,815

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, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	NONMAJOR FUND GARBAGE SYSTEM	TOTAL BUSINESS TYPE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents-unrestricted	\$ 399,294	\$ 253,779	\$ 793,326	\$ 36	\$ 1,446,435
Cash and cash equivalents-restricted	352,727	135,383	-	-	488,110
Due from other fund	35,663	-	-	-	35,663
Receivables (net of allowance for uncollectibles)	250,846	125,233	76,787	64,213	517,079
Prepaid expenses	2,042	4,229	-	-	6,271
Supply inventory	62,294	33,523	6,793	-	102,610
Deferred charges	-	-	-	-	-
Meter deposits	110	127	-	-	237
Total current assets	<u>1,102,976</u>	<u>552,274</u>	<u>876,906</u>	<u>64,249</u>	<u>2,596,405</u>
Noncurrent Assets:					
Capital assets:					
Nondepreciable land and improvements	46,009	46,075	43,452	-	135,536
Depreciable capital assets, net of accumulated depreciation	<u>6,001,755</u>	<u>2,302,560</u>	<u>2,157,181</u>	<u>3,386</u>	<u>10,464,882</u>
Total noncurrent assets	<u>6,047,764</u>	<u>2,348,635</u>	<u>2,200,633</u>	<u>3,386</u>	<u>10,600,418</u>
Total assets	<u>7,150,740</u>	<u>2,900,909</u>	<u>3,077,539</u>	<u>67,635</u>	<u>13,196,823</u>
Deferred outflow of resources:					
Deferred outflows - pensions	<u>45,564</u>	<u>106,314</u>	<u>30,375</u>	<u>7,593</u>	<u>189,846</u>
Total deferred outflows of resources	<u>45,564</u>	<u>106,314</u>	<u>30,375</u>	<u>7,593</u>	<u>189,846</u>
Total assets and deferred outflows of resources	<u>\$ 7,196,304</u>	<u>\$ 3,007,223</u>	<u>\$ 3,107,914</u>	<u>\$ 75,228</u>	<u>\$ 13,386,669</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, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	NONMAJOR FUND GARBAGE SYSTEM	TOTAL BUSINESS TYPE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	19,077	8,005	11,707	-	38,789
Accrued Liabilities	26,792	868	3,150	-	30,810
Customer deposits	128,563	135,383	-	-	263,946
Compensated absences	330	925	670	-	1,925
Due to other fund	-	-	35,663	-	35,663
Current portion of note payable	7,983	-	41,060	-	49,043
Current portion of revenue bond payable	120,000	-	30,000	-	150,000
Current portion of obligations under capital lease	139,737	82,068	-	-	221,805
Total current liabilities	<u>442,482</u>	<u>227,249</u>	<u>122,250</u>	<u>-</u>	<u>791,981</u>
Noncurrent liabilities:					
Compensated absences	2,957	8,333	6,049	-	17,339
Note payable, less current maturities	372,921	-	479,888	-	852,809
Net pension liability	235,780	550,155	157,186	39,296	982,417
Revenue bond payable, less current portion	1,484,000	-	366,000	-	1,850,000
Lease obligations payable, less current portion	929,184	545,713	-	-	1,474,897
Total noncurrent liabilities	<u>3,024,842</u>	<u>1,104,201</u>	<u>1,009,123</u>	<u>39,296</u>	<u>5,177,462</u>
Total liabilities	<u>3,467,324</u>	<u>1,331,450</u>	<u>1,131,373</u>	<u>39,296</u>	<u>5,969,443</u>
Deferred inflows of resources:					
Deferred inflows - pensions	88,693	206,966	59,130	14,782	369,571
Total deferred inflows of resources	<u>88,693</u>	<u>206,966</u>	<u>59,130</u>	<u>14,782</u>	<u>369,571</u>
NET POSITION					
Net investment in capital assets	2,993,939	1,720,854	1,283,685	3,386	6,001,864
Restricted for debt service	-	-	-	-	-
Restricted for bond cushion, depreciation and contingent-expendable	224,164	-	-	-	224,164
Unrestricted (deficit)	422,184	(252,047)	633,726	17,764	821,627
Total net position	<u>3,640,287</u>	<u>1,468,807</u>	<u>1,917,411</u>	<u>21,150</u>	<u>7,047,655</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,196,304</u>	<u>\$ 3,007,223</u>	<u>\$ 3,107,914</u>	<u>\$ 75,228</u>	<u>\$ 13,386,669</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, 2021

	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	\$ 1,267,626	\$ 1,417,464	\$ 483,501	\$ 336,618	\$ 3,505,209
Total operating revenues	<u>1,267,626</u>	<u>1,417,464</u>	<u>483,501</u>	<u>336,618</u>	<u>3,505,209</u>
<u>OPERATING EXPENSES</u>					
Personnel services	111,163	348,661	177,023	21,068	657,915
Services and supplies	23,460	38,923	46,803	388,830	498,016
Repairs	110,617	43,085	55,067	-	208,769
Operational	210,137	94,666	88,394	1,123	394,320
Purchases of natural gas	-	823,695	-	-	823,695
Purchases of water	371,756	-	-	-	371,756
Waste disposal	-	-	-	-	-
Depreciation	383,754	169,948	199,892	236	753,830
Total operating expenses	<u>1,210,887</u>	<u>1,518,978</u>	<u>567,179</u>	<u>411,257</u>	<u>3,708,301</u>
Operating Income (loss)	<u>56,739</u>	<u>(101,514)</u>	<u>(83,678)</u>	<u>(74,639)</u>	<u>(203,092)</u>
<u>NONOPERATING REVENUE (EXPENSES)</u>					
Interest revenue	-	-	-	-	-
Interest expenses and fiscal charges	(86,858)	(21,679)	(28,463)	-	(137,000)
Other	-	-	200,000	-	200,000
Total nonoperating revenue (expenses)	<u>(86,858)</u>	<u>(21,679)</u>	<u>171,537</u>	<u>-</u>	<u>63,000</u>
Income (loss) before transfers	<u>(30,119)</u>	<u>(123,193)</u>	<u>87,859</u>	<u>(74,639)</u>	<u>(140,092)</u>
Capital Grants	-	-	-	-	-
Operating transfer in	-	135,221	-	78,000	213,221
Operating transfer out	-	-	-	-	-
Changes in net position	<u>(30,119)</u>	<u>12,028</u>	<u>87,859</u>	<u>3,361</u>	<u>73,129</u>
Net position - beginning	<u>3,670,406</u>	<u>1,456,779</u>	<u>1,829,552</u>	<u>17,789</u>	<u>6,974,526</u>
Net position - ending	<u>\$ 3,640,287</u>	<u>\$ 1,468,807</u>	<u>\$ 1,917,411</u>	<u>\$ 21,150</u>	<u>\$ 7,047,655</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, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND					TOTAL
			NONMAJOR FUND		BUSINESS TYPE FUNDS	
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	GARBAGE SYSTEM		
Cash Flows from Operating Activities:						
Receipts from customers and users	\$ 1,277,191	\$ 1,429,103	\$ 484,091	\$ 334,199	\$	3,524,584
Payments to suppliers for goods and services	(721,489)	(974,320)	(174,206)	(389,953)		(2,259,968)
Payments to employees including fringe benefits	(118,810)	(362,132)	(181,660)	(22,296)		(684,898)
Cash payment in lieu of taxes	-	-	-	-		-
	<u>436,892</u>	<u>92,651</u>	<u>128,225</u>	<u>(78,050)</u>		<u>579,718</u>
Net Cash provided (used) by Operating Activities						
Cash Flows from Non-capital Financing Activities:						
Operating transfers in (out)	-	135,221	-	78,000		213,221
Other non-operating cash receipts	-	-	200,000	-		200,000
	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>		<u>200,000</u>
Net Cash Provided (Used) by Non-capital Financing Activities						
	<u>\$ -</u>	<u>\$ 135,221</u>	<u>\$ 200,000</u>	<u>\$ 78,000</u>	\$	<u>413,221</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, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	NONMAJOR FUND			TOTAL BUSINESS TYPE FUNDS	
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	GARBAGE SYSTEM	
Cash Flows from Capital and Related Financing Activities:					
Capital Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Note Proceeds	-	-	-	-	-
Principal payments - revenue bonds	(120,000)	-	(30,000)	-	(150,000)
Principal payments - capital lease	(135,740)	(79,720)	-	-	(215,460)
Principal payments - notes	(9,738)	-	(39,766)	-	(49,504)
Payments for capital acquisitions	-	(135,231)	(6,400)	-	(141,631)
Interest and fiscal charges paid	(85,187)	(20,811)	(28,463)	-	(134,461)
	<u>(350,665)</u>	<u>(235,762)</u>	<u>(104,629)</u>	<u>-</u>	<u>(691,056)</u>
Net cash (used) provided for Capital Related Financing Activities:					
Cash Flows from Investing Activities:					
Receipts of interest	-	-	-	-	-
Net cash provided from Investing Activities:	-	-	-	-	-
Net Increase (Decrease) in cash	86,227	(7,890)	223,596	(50)	301,883
Cash and Cash Equivalents 9-30-20 (Deficit)	665,794	397,052	569,730	86	1,632,662
Cash and Cash Equivalents 9-30-21 (Deficit)	<u>\$ 752,021</u>	<u>\$ 389,162</u>	<u>\$ 793,326</u>	<u>\$ 36</u>	<u>\$ 1,934,545</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, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND				
	NONMAJOR			TOTAL	
	WATER SYSTEM	GAS SYSTEM	SEWER SYSTEM	FUND GARBAGE SYSTEM	BUSINESS TYPE FUNDS
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 56,739	\$ (101,514)	\$ (83,678)	\$ (74,639)	\$ (203,092)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	383,754	169,948	199,892	236	754,497
(Increase) decrease in prepaid expense	(75)	30,477	-	-	(32,206)
(Increase) decrease in deferred outflows	(9,969)	(23,260)	(6,646)	(1,661)	
(Increase) decrease in receivables	(680)	(1,911)	590	(2,419)	(33,492)
(Increase) decrease in provision for uncollectible accounts	-	-	-	-	-
(Increase) decrease in inventory	(20,364)	(8,344)	7,218	-	(21,490)
Net changes in customer deposits	10,245	13,550	-	-	72,970
Increase (decrease) in unfunded pension liability	(74,743)	(174,400)	(49,829)	(12,457)	
Increase (decrease) in deferred inflows-pensions	77,340	180,474	51,560	12,890	
Increase (decrease) in accounts payable	14,920	3,916	8,840	-	(52,080)
Increase (decrease) in compensated absences	(275)	3,715	278	-	(13,495)
Increase (decrease) in accrued liabilities	-	-	-	-	(30,746)
Total adjustments	380,153	194,165	211,903	(3,411)	782,810
Net cash provided (used) by operating activities	\$ 436,892	\$ 92,651	\$ 128,225	\$ (78,050)	\$ 579,718

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

**CITY OF FULTON
STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2021**

**AGENCY
FUND**

ASSETS

Cash	<u>\$ 6,515</u>
Total Assets	<u>\$ 6,515</u>

LIABILITIES

Liabilities:	
Payable to other governments	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>

NET POSITION	<u>\$ 6,515</u>
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CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

The City is governed by an elected mayor and five-member board of alderpersons. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government’s reporting entity.

Blended Component Unit

The Fulton Zoning Board, the Fulton Election Commission, and the Park Commission meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any expenses of these boards are paid by the City and are blended in the City’s financial statements. The Fulton Zoning Board is 100 percent appointed by the City Board and provides zoning services to the City. Fulton Election Commission is 100 percent appointed by the City Board and handles all municipal elections. The Fulton Park Commission is 100 percent appointed by the City Board and provides park services to the City.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, proprietary 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, 2021

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021

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</u> <u>System</u>	<u>Sewer</u> <u>System</u>	<u>Water</u> <u>System</u>	<u>Garbage</u> <u>System</u>	<u>Total</u>
Cash and Cash Equivalents	\$253,779	\$793,326	\$399,294	\$36	\$1,446,435
Restricted Cash And Cash Equivalents	<u>135,383</u>	<u>-</u>	<u>352,727</u>	<u>-</u>	<u>488,110</u>
Total	<u>\$389,162</u>	<u>\$793,326</u>	<u>\$ 752,021</u>	<u>\$36</u>	<u>\$1,934,545</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 \$1,000 or more and an estimated useful life in excess of one year.

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

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

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Compensated Absences

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. The accrual rate is based on the years of service. For the proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the fund financial statements all of the compensated absences are considered long-term and, therefore are not a fund liability. An accrual of \$98,558 has been made in the Statement of Net Position for vacation time at September 30, 2021. No liability is recorded for non-vesting accumulating rights to receive sick pay.

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	\$ -	\$135,383	\$ 128,563
Bond Cushion depreciation contingent and Debt Service Fund	-	-	224,164
	<u>\$ -</u>	<u>\$135,383</u>	<u>\$ 352,727</u>

The ordinances authorizing the Water System Revenue Bonds require that the City establish the above revenue bond reserves. At September 30, 2021, 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, 2021.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Fund Equity/Net Positions

In the government-wide financial statements, restricted net position is 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, 2021

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	\$ 36,403	\$ -
Total – Non-spendable	<u>\$ 36,403</u>	<u>\$ -</u>
Fund Balances:		
Restricted:		
Narcotics Fund	\$ -	\$ 3,789
Debt Service	-	-
Tourism Tax	-	136,966
Fire Protection	<u>-</u>	<u>656</u>
Total Restricted	<u>\$ -</u>	<u>\$ 141,411</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. The Government wide statement of net position reports \$365,575 of restricted net position.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the Public Employee's Retirement System of Mississippi (PERS) and additions to deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2021, the cash balances included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Demand deposits	\$5,852,269	Governmental Funds	\$3,921,326
Savings Account	10,117	Enterprise Funds	1,934,545
Other Cash	-0-	Fiduciary Fund	6,515
	<u>\$5,862,386</u>		<u>\$5,862,386</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.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)

At September 30, 2021, the City's deposits had a carrying amount of \$5,862,386 and a bank balance of \$6,245,440. Of the bank balance \$253,789 was covered by federal deposit insurance and the remainder was covered by the statewide collateral pool program as discussed above.

The City has designated Trustmark Bank as its official depository.

Investments

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

The City had no investments as of or during the year ended September 30, 2021.

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, 2021.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risks

The City of Fulton had no investments at September 30, 2021, but had demand deposits with more than 5% of the total in Trustmark Bank. These demand deposits represented approximately 99% of total demand deposits.

NOTE C – PROPERTY TAX

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

Appraised values are established by Itawamba County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2020 taxes are collected in December, 2020 and January, 2021. The 2020 taxes are levied to fund the 2020-2021 budget year. The assessed value upon which the 2020 taxes were based was \$30,312,759.

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 2021 taxes intended to fund the 2021-2022 budget year of \$941,919. 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.

The 2021 taxes of \$941,919 are also included in unavailable revenue and not in current revenues in governmental activities because they are levied to fund the 2021-2022 budget year.

For the year ended September 30, 2021 the City assessed a tax rate of 31 mills.

NOTE D - RECEIVABLES

Receivables at September 30, 2021 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:

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE D – RECEIVABLES (CONTINUED)

	<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	\$ 891,193	\$ -	\$ -	\$ -	\$ -	\$ 75,678
Sales Tax	307,409	-	-	-	-	454
Accounts	2,212	281,027	146,030	86,901	71,865	2,103
Police Fines	806,939	-	-	-	-	-
Other	-	-	-	-	-	-
Gross Receivable	2,085,988	281,027	146,030	86,901	71,865	78,235
Less: Allowance for Uncollectables	(484,163)	(30,181)	(20,797)	(10,114)	(7,652)	-
Net receivables	<u>\$1,601,825</u>	<u>\$250,846</u>	<u>\$125,233</u>	<u>\$76,787</u>	<u>\$64,213</u>	<u>\$ 78,235</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Balance September 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and Other Adjustments</u>	<u>Balance September 30, 2021</u>
Governmental Activities					
Capital assets not depreciated:					
Land	\$ 3,536,988	\$ -	\$ -	\$ -	\$ 3,536,988
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>3,536,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,536,988</u>
Capital assets being depreciated:					
Building and improvements	5,239,078	11,657	-	-	5,250,735
Automotive and equipment	3,913,652	189,114	-	-	4,102,766
Infrastructure	<u>1,594,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,594,289</u>
Total capital assets being depreciated	10,747,019	200,771	-	-	10,947,790
Less accumulated depreciation	<u>8,739,543</u>	<u>337,567</u>	<u>-</u>	<u>-</u>	<u>9,077,110</u>
Total capital assets being depreciated, net	<u>2,007,476</u>	<u>(136,796)</u>	<u>-</u>	<u>-</u>	<u>1,870,680</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 5,544,464</u>	<u>\$ (136,796)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,407,668</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS (CONTINUED)

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2021</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	582,975	-	-	-	582,975
Infrastructure-Systems	<u>15,690,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,690,272</u>
Total capital assets being depreciated	16,278,451	-	-	-	16,278,451
Less accumulated depreciation	<u>9,892,942</u>	<u>383,754</u>	<u>-</u>	<u>-</u>	<u>10,276,696</u>
Total capital assets being depreciated, net	<u>6,385,509</u>	<u>(383,754)</u>	<u>-</u>	<u>-</u>	<u>6,001,755</u>
Total Water System Capital Assets, Net	<u>\$ 6,431,518</u>	<u>\$ (383,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,047,764</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS (CONTINUED)

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2021</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>-</u>	<u>-</u>	<u>-</u>	<u>46,075</u>
Capital assets being depreciated					
Building and improvements	72,668	-	-	-	72,668
Automotive and equipment	407,272	-	-	-	407,272
Infrastructure-Systems	<u>4,245,985</u>	<u>135,221</u>	<u>-</u>	<u>-</u>	<u>4,381,206</u>
Total capital assets being depreciated	4,725,925	135,221	-	-	4,861,146
Less accumulated depreciation	<u>2,388,628</u>	<u>169,948</u>	<u>-</u>	<u>-</u>	<u>2,558,576</u>
Total capital assets being depreciated, net	<u>2,337,287</u>	<u>(34,727)</u>	<u>-</u>	<u>-</u>	<u>2,302,570</u>
Total Gas System					
Capital Assets, Net	<u>\$ 2,383,362</u>	<u>\$ (34,727)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,348,635</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS (CONTINUED)

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2021</u>
Business-Type Activities					
Sewer System					
Capital assets not being depreciated:					
Land	\$ 43,452	\$ -	\$ -	\$ -	\$ 43,452
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>43,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,452</u>
Capital assets being depreciated					
Building and improvements	-	4,000	-	-	4,000
Automotive and equipment	474,262	-	-	-	474,262
Infrastructure-Systems	<u>6,247,323</u>	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>6,249,723</u>
Total capital assets being depreciated	6,721,585	6,400	-	-	6,727,985
Less accumulated depreciation	<u>4,370,912</u>	<u>199,892</u>	<u>-</u>	<u>-</u>	<u>4,570,804</u>
Total capital assets being depreciated, net	<u>2,350,673</u>	<u>(193,492)</u>	<u>-</u>	<u>-</u>	<u>2,157,181</u>
Total Sewer System					
Capital Assets, Net	<u>\$ 2,394,125</u>	<u>\$ (193,492)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200,633</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS (CONTINUED)

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2021</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	9,802	-	-	-	9,802
Infrastructure-Systems	-	-	-	-	-
Total capital assets being depreciated	9,802	-	-	-	9,802
Less accumulated depreciation	6,180	236	-	-	6,416
Total capital assets being depreciated, net	3,622	(236)	-	-	3,386
Total Garbage System Capital Assets, Net	\$ 3,622	\$ (236)	\$ -	\$ -	\$ 3,386
 Total Business-Type Capital Assets, Net	 \$ 11,212,627	 \$ (612,209)	 \$ -	 \$ -	 \$ 10,600,418

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General government	\$159,462
Public safety	25,806
Public works	77,668
Fire Department	37,196
Emergency Management	6,888
Library	10,073
Park and Recreation	18,688
Animal Control	<u>1,786</u>

Total Depreciation Expense – Government Activities **\$337,567**

Business – Type Activities

Natural gas	\$169,948
Water	383,754
Sewer	199,892
Garbage	<u>236</u>

Total Depreciation Expense – Business Type Activities **\$ 753,830**

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 consists 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, 2021 are as follows:

Governmental Activities

	Final Maturity Date	Interest Rate	Beginning Balance 9/30/2020	Additions	Adjustment/ Repayments	Ending Balance 9/30/2021	Due Within One Year
Note-Bancorpsouth	12/15/2020	2.13%	\$ 31,381	\$ -	\$ 31,381	\$ -	\$ 31,381
Note-Mississippi Dev. Authority	7/1/2031	3%	1,378,383	-	122,859	1,255,524	113,266
Net Pension Liability			3,881,544	-	934,286	2,947,258	-
Compensated Absences			<u>73,846</u>	<u>5,448</u>	<u>-</u>	<u>79,294</u>	<u>7,930</u>
Total Governmental Activities			<u>\$5,365,154</u>	<u>\$ 5,448</u>	<u>\$ 1,088,526</u>	<u>\$4,282,076</u>	<u>\$ 152,577</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021 are as follows:

<u>Years Ending</u> <u>September 30</u>	<u>Industrial Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2022	116,712	36,357	153,069
2023	120,261	32,807	153,068
2024	123,919	29,150	153,069
2025	127,688	25,380	153,068
2026	131,572	21,497	153,069
2027-2031	<u>635,372</u>	<u>46,010</u>	<u>681,382</u>
Total	<u>\$1,255,524</u>	<u>\$ 191,201</u>	<u>\$ 1,446,725</u>

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE F – LONG – TERM DEBT (CONTINUED)

<u>Business-Type-Activities</u>							Amount Due Within One Year
	Final Maturity Date	Interest Rate	Beginning Balance 9/30/2020	Additions	Repayments	Ending Balance 9/30/2021	
1. Water System							
Series 2013 Revenue Bonds	01/01/23	2.93%	\$ 1,724,000	\$ -	\$ 120,000	\$ 1,604,000	\$ 120,000
Siemens Lease Obligation							
Payable-Utility Meters	09/30/28	2.91%	1,204,661	-	135,740	1,068,921	139,737
USDA-Note Payable	12/14/53	2.25%	390,642	-	9,738	380,904	7,983
Net Pension Liability			310,523	-	74,743	235,780	-
Compensated Absences			3,562	-	275	3,287	330
Total Water System			<u>\$ 3,633,388</u>	<u>\$ -</u>	<u>\$ 340,496</u>	<u>\$ 3,292,892</u>	<u>\$ 268,050</u>
2. Sewer System							
Series 2013 Revenue Bonds	01/01/23	2.93%	\$ 426,000	\$ -	\$ 30,000	\$ 396,000	\$ 30,000
Mississippi Development Note	06/01/32	3%	560,714	-	39,766	520,948	41,060
Net Pension Liability			207,015	-	49,829	157,186	-
Compensated Absences			6,440	279	-	6,719	670
Total Sewer System			<u>\$ 1,200,169</u>	<u>\$ 279</u>	<u>\$ 119,595</u>	<u>\$ 1,080,853</u>	<u>\$ 71,730</u>
3. Gas System							
Siemens Lease Obligation							
Payable-Utility Meters	09/30/28	2.91%	\$ 707,501	\$ -	\$ 79,720	\$ 627,781	\$ 82,068
Net Pension Liability			724,555	-	174,400	550,155	-
Compensated Absences			5,553	3,705	-	9,258	925
Total Gas System			<u>\$ 1,437,609</u>	<u>\$ 3,705</u>	<u>\$ 254,120</u>	<u>\$ 1,187,194</u>	<u>\$ 82,993</u>
3. Garbage System							
Net Pension Liability			<u>\$ 51,753</u>	<u>\$ -</u>	<u>\$ 12,457</u>	<u>\$ 39,296</u>	<u>\$ -</u>
Total Garbage System			<u>\$ 51,753</u>	<u>\$ -</u>	<u>\$ 12,457</u>	<u>\$ 39,296</u>	<u>\$ -</u>
Total Business-Type Activities			<u>\$ 6,322,919</u>	<u>\$ 3,984</u>	<u>\$ 726,668</u>	<u>\$ 5,600,235</u>	<u>\$ 422,773</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE F – LONG – TERM DEBT (CONTINUED)

Business – Type Activities (continued)

The principal and interest requirements of the above notes, revenue bonds and lease obligations payable at September 30, 2021 are as follows:

Years Ending September 30,	Notes Payable			Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
			-	-	-	-
2022	49,043	23,477	72,520	221,805	47,005	268,810
2023	50,472	22,048	72,520	228,335	40,475	268,810
2024	51,943	20,577	72,520	235,058	33,752	268,810
2025	53,456	19,063	72,520	241,978	26,832	268,810
2026	55,015	18,871	73,886	249,103	19,707	268,810
2027-2031	300,103	60,896	360,999	520,423	17,195	537,618
2032-2036	101,499	31,181	132,680	-	-	-
2037-2041	58,298	24,882	83,180	-	-	-
2042-2046	65,158	18,022	83,180	-	-	-
2047-2051	72,826	10,354	83,180	-	-	-
2052-2053	44,039	2,161	46,200	-	-	-
Total	<u>\$ 901,852</u>	<u>\$ 251,532</u>	<u>\$ 1,153,385</u>	<u>\$ 1,696,702</u>	<u>\$ 184,966</u>	<u>\$ 1,881,668</u>

Years Ending September 30,	Revenue Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total
2022	150,000	55,606	205,606	420,848	126,088	546,936
2023	155,000	52,269	207,269	433,807	114,792	548,599
2024	160,000	48,526	208,526	447,001	102,855	549,856
2025	160,000	44,325	204,325	455,434	90,220	545,654
2026	165,000	21,062	186,062	469,118	59,640	528,758
2027-2031	860,000	67,945	927,945	1,680,526	146,036	1,826,562
2032-2036	350,000	8,613	358,613	451,499	39,794	491,293
2037-2041	-	-	-	58,298	24,882	83,180
2042-2046	-	-	-	65,158	18,022	83,180
2047-2051	-	-	-	72,826	10,354	83,180
2052-2053	-	-	-	44,039	2,161	46,200
Total	<u>\$ 2,000,000</u>	<u>\$ 298,346</u>	<u>\$ 2,298,346</u>	<u>\$ 4,598,554</u>	<u>\$ 734,844</u>	<u>\$ 5,333,398</u>

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021.

	<u>Gas System Meters</u>	<u>Water System Meters</u>	<u>Total</u>
Minimum lease payments			
Years Ending September 30,			
2022	99,460	169,350	268,810
2023	99,460	169,350	268,810
2024	99,460	169,350	268,810
2025	99,460	169,350	268,810
2026	99,460	169,350	268,810
2027-2028	<u>200,032</u>	<u>338,698</u>	<u>538,730</u>
	697,330	1,185,450	1,882,780
Less: amounts representing interest	<u>(69,549)</u>	<u>(116,529)</u>	<u>(186,078)</u>
Present value of minimum lease payments	<u>\$ 627,781</u>	<u>\$ 1,068,921</u>	<u>\$ 1,696,702</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:

	<u>Gas System Meters</u>	<u>Water System Meters</u>	<u>Total</u>
Capital asset discounted cost	\$ 1,176,442	\$ 2,004,012	\$ 3,180,454
Less: accumulated amortization	<u>(490,422)</u>	<u>(835,410)</u>	<u>(1,325,832)</u>
Total	<u>\$ 686,020</u>	<u>\$ 1,168,602</u>	<u>\$ 1,854,622</u>

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

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE H – INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
Major Governmental Funds:		
General Fund	\$ <u>3,611</u>	\$ <u>479,930</u>
Total Major Governmental Fund	<u>-</u>	<u>479,930</u>
Non-major Governmental Funds:		
Park & Recreation	140,200	-
Tourism Fund	-	40,000
Fire Protection Fund	<u>664</u>	<u>-</u>
Total Special Revenue Funds	<u>140,864</u>	<u>40,000</u>
Debt Service Funds	<u>162,214</u>	<u>-</u>
Total Debt Service Funds	<u>162,214</u>	<u>-</u>
Total Non-major Governmental Fund	<u>303,075</u>	<u>40,000</u>
Major Enterprise Funds:		
Water System Fund	-	-
Sewer System Fund	-	-
Garbage System Fund	78,000	-
Gas System Fund	<u>135,221</u>	<u>-</u>
Total Major Enterprise Funds	<u>213,221</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>\$ 519,930</u>	<u>\$ 519,930</u>

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE I – INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

Governmental Funds

General Fund	
State of Miss - Municipal Aid & Gas Tax	\$ 159,133
Homestead exemption	57,836
In Lieu of Taxes	102,603
Itawamba County	250,169
TVA Franchise Tax	<u>163,477</u>
Total Governmental Funds	\$ <u>733,218</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 Notes F and G.

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

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

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

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

The individual Enterprise Funds have the following net working capital (current assets less current liabilities) at September 30, 2021:

Water	\$ 660,494
Gas System	325,025
Sewer System	754,656
Waste Collection System	<u>64,249</u>
Total	\$ <u>1,804,424</u>

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the Gas System Fund had extended credit to customers totaling \$146,030. Gas System Fund receivables are secured by customer deposits totaling \$128,563. The balance of the receivables is unsecured. At September 30, 2021, the Water System Fund had extended credit to customers totaling \$281,027. Water System Fund receivables are secured by customer deposits totaling \$128,563. The balances of the receivables are unsecured. At September 30, 2021, the Sewer System had extended credit to customers totaling \$86,901. The receivables are not secured. At September 30, 2021, the Non-major Enterprise Garbage Fund had extended credit to customers totaling \$71,865. The Non-major Enterprise receivables are not secured.

Gas System Fund accounts payable – operations consist of \$8,005 for operations. The Water System Fund accounts payable – operations consist of \$19,077 for operations. The Sewer System Fund Accounts payable operation consists of \$11,707. The Non-major Enterprise fund accounts payable were \$ -0- at September 30, 2021.

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 to review 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.

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 September 20, 2022, and determined the following subsequent events require disclosure in the notes to financial statements.

**CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE N – SUBSEQUENT EVENTS (CONTINUED)

Itawamba County, Mississippi assumed a promissory note in September 2019 that the City had with Three Rivers Planning and Development District in exchange for land and a capital lease agreement that was owned by the City. The lessee started paying the monthly capital lease payments to Itawamba County, Mississippi in September 2019, and continue to make payments. The parties failed to execute legal documents to support the assumption of capital lease payments and the transfer of property. Both parties are in the process of obtaining the required legal documents to correct this oversight.

NOTE O – POST EMPLOYMENT BENEFITS

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

NOTE P - 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.

GASB No. 65 reclassified certain items that were previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE Q – INTERFUND BALANCES

	Due From	Due From
	<u>Sewer</u>	<u>General Fund</u>
Inter-fund balances at September 30, 2021, consisted of the following:		
Due to Water	\$35,663	\$ -
Due to Parks		2,103
	<u>\$35,663</u>	<u>\$ 2,103</u>

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.

CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE R – DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$310,829, \$308,227 and \$284,410 respectively, which equaled the required contributions for each year.

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

At September 30, 2021, the City reported a liability of \$3,929,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.0266 percent.

For the year ended September 30, 2021, the City recognized pension expense of \$196,836. At September 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,985	-
Net difference between projected and actual earnings on pension plan investments	247,128	1,430,580
Changes of assumptions	302,070	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	66,293	47,760
City's contributions subsequent to the measurement date	80,911	-
Total	<u>\$759,387</u>	<u>\$1,478,340</u>

THE CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE R – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The \$80,911 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, 2022. 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:	
2022	\$137,293
2023	120,417
2024	189,479
2025	<u>352,675</u>
	<u>\$799,864</u>

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

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 as of June 30, 2021, 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	27%	4.60%
International Equity	22	4.50
Global	12	4.80
Fixed Income	20	(0.25)
Real Assets	10	3.75
Private Equity	8	6.00
Cash	<u>1</u>	<u>(1.00)</u>
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 (17.40%). 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

THE CITY OF FULTON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE R – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	1% Decrease <u>(6.55%)</u>	Current Discount Rate (7.55%)	1% Increase <u>(8.55%)</u>
City's proportionate share of the net pension liability	\$ 5,565,341	\$ 3,929,675	\$ 2,581,756

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

NOTE S – TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses based on the authority provided under Mississippi Code Section 27-31-105. Under the code section, the City may grant exemption from ad valorem taxes levied by the City to certain entities defined under code section 27-31-101. The exemption applies to additions to or expansions of facilities or properties, or replacements of equipment used in connection with or necessary to the operation of such enterprises and extends for a period not to exceed ten years. The purpose of the abatement is to attract or retain business within their jurisdiction. The City has not made any commitments as part of the agreements other than to reduce taxes.

For the year ended September 30, 2021, the City abated property taxes totaling \$ 29,346.

CITY OF FULTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BUDGETED		ACTUAL	ACTUAL AMOUNTS		VARIANCE WITH
	ORIGINAL	FINAL		ADJUSTMENTS TO BUDGETARY BASIS	ACTUAL ON BUDGETARY TOTAL	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES						
Ad Valorem Taxes	\$ 960,000	\$ 960,000	\$ 1,058,815	\$ (1,068)	\$ 1,057,747	\$ 97,747
Interest & Penalties	3,500	3,500	1,577	-	1,577	(1,923)
Printer Fees	300	300	330	-	330	30
Licenses	12,750	12,750	13,638	-	13,638	888
Municipal Revolving	6,500	6,500	1,975	-	1,975	(4,525)
Building Permits	3,000	3,000	6,683	-	6,683	3,683
TVA In Lieu of Taxes	92,000	92,000	102,603	-	102,603	10,603
City Sales & Tourism Tax	1,550,000	1,550,000	1,839,904	(32,237)	1,807,667	257,667
Civil Defense	36,000	36,000	23,533	-	23,533	(12,467)
Itawamba County	182,000	182,000	250,169	4,230	254,399	72,399
Court Revenue	55,000	55,000	103,827	30,397	134,224	79,224
Interest	55,000	55,000	45,678	-	45,678	(9,322)
Other	60,200	60,200	235,038	-	235,038	174,838
Grants	-	-	142,772	-	142,772	142,772
TEPA Franchise Tax	155,000	155,000	163,477	-	163,477	8,477
Total Revenues	\$ 3,171,250	\$ 3,171,250	\$ 3,990,019	\$ 1,322	\$ 3,991,341	\$ 820,091

CITY OF FULTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BUDGETED		ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS	ACTUAL ON BUDGETARY TOTAL	
EXPENDITURES						
Finance and Administration						
Personnel Services	\$ 311,950	\$ 312,500	313,507	\$ (1,090)	\$ 312,417	\$ 83
Supplies	42,500	58,654	58,321	-	58,321	333
Other Services and Charges	202,650	211,788	235,203	(24,976)	210,227	1,561
Capital Outlay	-	10,000	1,075	-	1,075	8,925
Total	557,100	592,942	608,106	(26,066)	582,040	10,902
Police						
Personnel Services	828,500	838,507	840,229	(1,861)	838,368	139
Supplies	60,100	95,678	95,571	-	95,571	107
Other Services and Charges	41,950	41,950	37,541	361	37,902	4,048
Capital Outlay	5,000	54,997	52,497	-	52,497	2,500
Total	935,550	1,031,132	1,025,838	(1,500)	1,024,338	6,794
Fire						
Personnel Services	222,000	222,000	213,211	(1,406)	211,805	10,195
Supplies	32,000	32,000	26,332	-	26,332	5,668
Other Services and Charges	26,360	26,360	17,239	146	17,385	8,975
Capital Outlay	15,000	15,211	15,211	-	15,211	-
Total	\$ 295,360	\$ 295,571	271,993	\$ (1,260)	\$ 270,733	\$ 24,838

CITY OF FULTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BUDGETED		ORIGINAL	FINAL	ACTUAL		ACTUAL AMOUNTS ADJUSTMENTS TO BUDGETARY BASIS		ACTUAL ON BUDGETARY TOTAL		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
Animal Control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Personnel Services	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	12,000	12,000	-	11,601	-	-	-	-	11,601	-	399	399
Other Services and Charges	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,000	12,000	-	11,601	-	-	-	-	11,601	-	399	399
Emergency Management												
Personnel Services	69,000	69,000	-	56,468	-	(184)	-	-	56,284	-	12,716	12,716
Supplies	4,750	4,750	-	2,609	-	-	-	-	2,609	-	2,141	2,141
Other Services and Charges	9,000	9,000	-	2,967	-	-	-	-	2,967	-	6,033	6,033
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total	82,750	82,750	-	62,044	-	(184)	-	-	61,860	-	20,890	20,890
Street Department												
Personnel Services	428,000	428,000	-	411,883	-	13,546	-	-	425,429	-	2,571	2,571
Supplies	225,000	225,000	-	189,027	-	-	-	-	189,027	-	35,973	35,973
Other Services and Charges	163,500	173,541	-	171,988	-	217	-	-	172,205	-	1,336	1,336
Capital Outlay	-	99,874	-	99,873	-	-	-	-	99,873	-	1	1
Total	816,500	926,415	-	872,771	-	13,763	-	-	886,534	-	39,881	39,881
National Guard Armory												
Other Services and Charges	1,500	1,500	-	-	-	-	-	-	-	-	1,500	1,500
Total	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500

EXPENDITURES - continued

CITY OF FULTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BUDGETED		ACTUAL AMOUNTS		VARIANCE WITH	
	ORIGINAL	FINAL	ACTUAL	ADJUSTMENTS TO BUDGETARY BASIS	ACTUAL ON BUDGETARY TOTAL	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES - continued						
Library & Grammar School	\$ 77,441	\$ 77,441	\$ 74,835	\$ -	\$ 74,835	\$ 2,606
Other Services and Charges	77,441	77,441	74,835	-	74,835	2,606
Total	76,000	88,091	44,068	-	44,068	44,023
Court Fund	76,000	88,091	44,068	-	44,068	44,023
Other Services and Charges	2,854,201	3,107,842	2,971,256	(15,247)	2,956,009	151,833
Total	317,049	63,408	1,018,763	16,569	1,035,332	971,924
Excess Revenues						
Over (Under) Expenditures						
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Transfer In	7,500	7,500	3,611	-	3,611	3,889
Transfer (Out)	(341,209)	(479,930)	(479,930)	-	(479,930)	-
Total Other Financing Sources (Uses)	(333,709)	(472,430)	(476,319)	-	(476,319)	3,889
Non-Financing Sources						
Donations	-	-	-	-	-	-
Total Non-Financing Sources	-	-	-	-	-	-
Excess of Revenues						
& Other Sources	(16,660)	(409,022)	542,444	16,569	559,013	975,813
Over (Under) Expenditures & Other Uses	3,069,750	3,069,750	3,069,750	-	3,069,750	-
Fund Balance -Beginning of Year	\$ 3,053,090	\$ 2,660,728	\$ 3,612,194	\$ 16,569	\$ 3,628,763	\$ 975,813
Fund Balance - Ending of Year						

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

Budgets are adopted on a modified cash basis. Annual appropriated budgets are adopted for the general fund, except for the ongoing grant programs, and the tourism fund. All annual appropriations lapse at fiscal year end. The budget can be amended by appropriate action of the Board of Alderpersons.

NOTE 2 - PENSION LIABILITY AND CONTRIBUTIONS

A. Changes of Assumptions

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of makes rates from ages 18 to 75 scaled down to 105% for ages 80 to 119
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 - PENSION LIABILITY AND CONTRIBUTIONS (CONTINUED)

- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages
- For females, 115% of female rates at all ages
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

- 2017** The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%

- 2016** The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%

- 2015** The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the 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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

B. Changes in Benefit Provisions

- 2016** Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF FULTON
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 - PENSION LIABILITY AND CONTRIBUTIONS (CONTINUED)

Changes in size or composition of the population covered by the benefit terms

None identified during periods presented in the required supplementary information.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.50 percent including inflation
Investment rate of return	7.75 %, net of pension plan investment expense including inflation

NOTE 3 - THE FOLLOWING PROVIDES DETAILS FOR GENERAL FUND ADJUSTMENTS TO BUDGETARY BASIS FROM ACTUAL:

Revenue: Receivables	\$ (30,549)
Deferred	<u>31,871</u>
Total	1,322
Expenditures:	
Accounts payable paid after 30 day	-
Accrued Expenses	6,585
Prepaid expenses	3,852
Reclassification for Bad Debt Allowance-Court Fines	<u>(28,328)</u>
Total	<u>(17,891)</u>
Net difference in budgetary basis and actual	<u>\$ (16,569)</u>

CITY OF FULTON
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0266%	0.0267%	0.0260%	0.0267%	0.0267%	0.0262%	0.0283%
City's proportionate share of the net pension liability (asset)	\$ 3,929,675	\$ 5,175,392	\$ 4,558,256	\$ 4,429,527	\$ 4,442,601	\$ 4,672,472	\$ 4,374,621
City's covered-employee payroll	\$ 1,786,372	\$ 1,771,417	\$ 1,716,121	\$ 1,712,305	\$ 1,671,085	\$ 1,624,185	\$ 1,623,774
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.20%	292.20%	265.61%	258.69%	265.85%	287.69%	269.41%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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 is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF FULTON
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 310,829	\$ 308,227	\$ 284,410	\$ 270,868	\$ 266,802	\$ 255,809	\$ 255,744
Contributions in relation to the contractually required contribution	310,829	308,227	284,410	270,868	266,802	255,809	255,744
Contribution deficiency (excess)	0	0	0	0	0	0	0
City's covered-employee payroll	\$ 1,786,372	\$ 1,771,417	\$1,716,121	\$ 1,712,305	\$ 1,671,085	\$ 1,624,185	\$1,623,774
Contributions as a percentage of covered employee payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%

See accompanying notes to the financial statements.

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, 2021

	<u>PARK & RECREATION</u>	<u>DEBT SERVICE</u>	<u>TOURISM TAX</u>	<u>FIRE PROTECTION</u>	<u>NARCOTICS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS						
Cash	\$ 911	\$ -	\$ 122,817	\$ 202	3,789	\$ 127,719
Other Accounts Receivable	-	-	-	454	-	454
Due From Other Funds	2,103	-	-	-	-	2,103
Accounts Receivable-						
Taxes	61,529	-	14,149	-	-	75,678
Total Assets	64,543	-	136,966	656	3,789	205,954
LIABILITIES						
Accrued Expenses	-	-	-	-	-	-
Accounts Payable	2,888	-	-	-	-	2,888
Total Liabilities	2,888	-	-	-	-	2,888
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	60,769	-	-	-	-	60,769
Total Deferred Inflows of Resources	60,769	-	-	-	-	60,769
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	136,966	656	3,789	141,411
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	886	-	-	-	-	886
Total Fund Balance	886	-	136,966	656	3,789	142,297
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 64,543	\$ -	\$ 136,966	\$ 656	\$ 3,789	\$ 205,954

CITY OF FULTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	PARK & RECREATION	DEBT SERVICE	TOURISM TAX	FIRE PROTECTION	NARCOTICS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUE						
Ad Valorem Taxes	\$ 69,839	\$ -	\$ -	\$ -	\$ -	69,839
Sales Taxes	-	-	73,424	-	-	73,424
Program Fees & Dues	31,933	-	-	-	-	31,933
Concession	26,914	-	-	-	-	26,914
Other	432	-	-	2,536	9,081	12,049
Rent	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Total Revenue	129,118	-	73,424	2,536	9,081	214,159
EXPENDITURES						
Personal Service	172,314	-	-	-	-	172,314
Supplies	21,326	-	-	-	-	21,326
Other Cost	63,636	-	24,082	2,482	9,900	100,100
Capital Improvements	15,264	-	-	-	-	15,264
Principal Retirement	-	121,465	-	31,381	-	152,846
Interest and Fiscal Charges	-	44,360	-	668	-	45,028
Total Expenditures	272,540	165,825	24,082	34,531	9,900	506,878
Excess (Deficit) of Revenues Over (Under)	(143,422)	(165,825)	49,342	(31,995)	(819)	(292,719)
Expenditures	-	-	-	-	-	-
Other Financing	140,200	162,214	(40,000)	664	-	263,078
Transfers In (Out)	-	-	-	664	-	1,328
Total Other Financing	140,200	162,214	(40,000)	1,328	-	264,402
Excess (Deficit) of Revenues and Other Sources Over Expenditure	(3,222)	(3,611)	9,342	(31,331)	(819)	(29,641)
Fund Balance	-	-	-	-	-	-
Fund Balance - 10/1/20	4,108	3,611	127,624	31,987	4,608	171,938
Fund Balance - 9/30/21	886	-	\$ 136,966	\$ 656	\$ 3,789	\$ 142,297

**CITY OF FULTON, MISSISSIPPI
SCHEDULE OF SURETY BONDS
SEPTEMBER 30, 2021**

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Emily Quinn	Mayor	Western Surety	\$100,000
Ceburn Gray	City Clerk	Western Surety	\$200,000
Brad Roger	Police Chief	Western Surety	\$ 50,000
Daisy Stone	Aldersperson	Western Surety	\$ 50,000
Richard Comer	Aldersperson	Western Surety	\$ 50,000
Russ Ramey	Aldersperson	Western Surety	\$ 50,000
Brad Chatham	Aldersperson	Western Surety	\$ 50,000
Corey Moore	Aldersperson	Western Surety	\$ 50,000
Deputy Clerks (4)		Western Surety	\$ 50,000 each
Police Officers (10)		Western Surety	\$ 25,000 each

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, 2021, 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 September 20, 2022.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses, and significant deficiencies.

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 2021-1 and 2021-3.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2021-4 and 2021-5.

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 are described in the accompanying schedule of findings and responses as item 2021-2.

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
September 20, 2022

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

P. O. BOX 217

FULTON, MISSISSIPPI 38843

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INDEPENDENT AUDITOR'S 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, 2021, which collectively comprise the City of Fulton, Mississippi's basic financial statements and have issued our report thereon dated September 20, 2022. 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 2021-2.

One instance of noncompliance of the prior year has 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
September 20, 2022

CITY OF FULTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

2021-1. 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. 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 Alderpersons should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: We concur with the recommendation.

2021-2. 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, 2021

2021-2. 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.

2021 -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, 2021

2020-4. 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 \$47,214 during the year ended September 30, 2021.

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.

2021-5. Unaccounted for Water

Condition: The City had unaccounted for water usage of approximately 31.97%.

Criteria: Effective internal controls include establishing procedures to reduce unaccounted for water.

Effect: During the year ended September 30, 2021, the City pumped 414,371,000 gallons of water. During this same period, the City sold 271,705,000 gallons of water, used 10,178,000 gallons of water for various city usage. The City had 132,488,000 gallons of unaccounted for water. Unaccounted for water was 31.97% of pumped water, compared to normal unaccounted for water of 20% and the prior year unaccounted water of 23.97%.

Cause: The primary cause is unknown.

Recommendation: The City should search for unmetered water usage and water leaks.

**CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

2020-1. Segregation of Duties

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

Status: This is still a finding in this report. See current year Finding No.2021-1.

2020-2. General Fixed Assets

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

Status: This is still a Finding in this report. See current year Finding No. 2021-2.

2020-3. Outsourcing Financial Statements and related Notes, and Supplementary Information Preparation

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

Status: This is still a Finding in this report. See current Finding 2021-3.

2020-4. Police Fine Collection Efforts

Condition: The delinquent police fine receivables are increasing.

Status: This is still a Finding in this report. See current year Finding No. 2021-4.

**CITY OF FULTON
RESULTS OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

2020-5. Unaccounted for Water

Condition: The City had unaccounted for water of approximately 23.97%.

Status: This is still a finding in this report. See current Finding 2021-5.

2020-6. Expenditures Exceeded the Budget in Various Categories

Condition: Expenditures exceeded the budget in various categories.

Status: This finding has been corrected.