

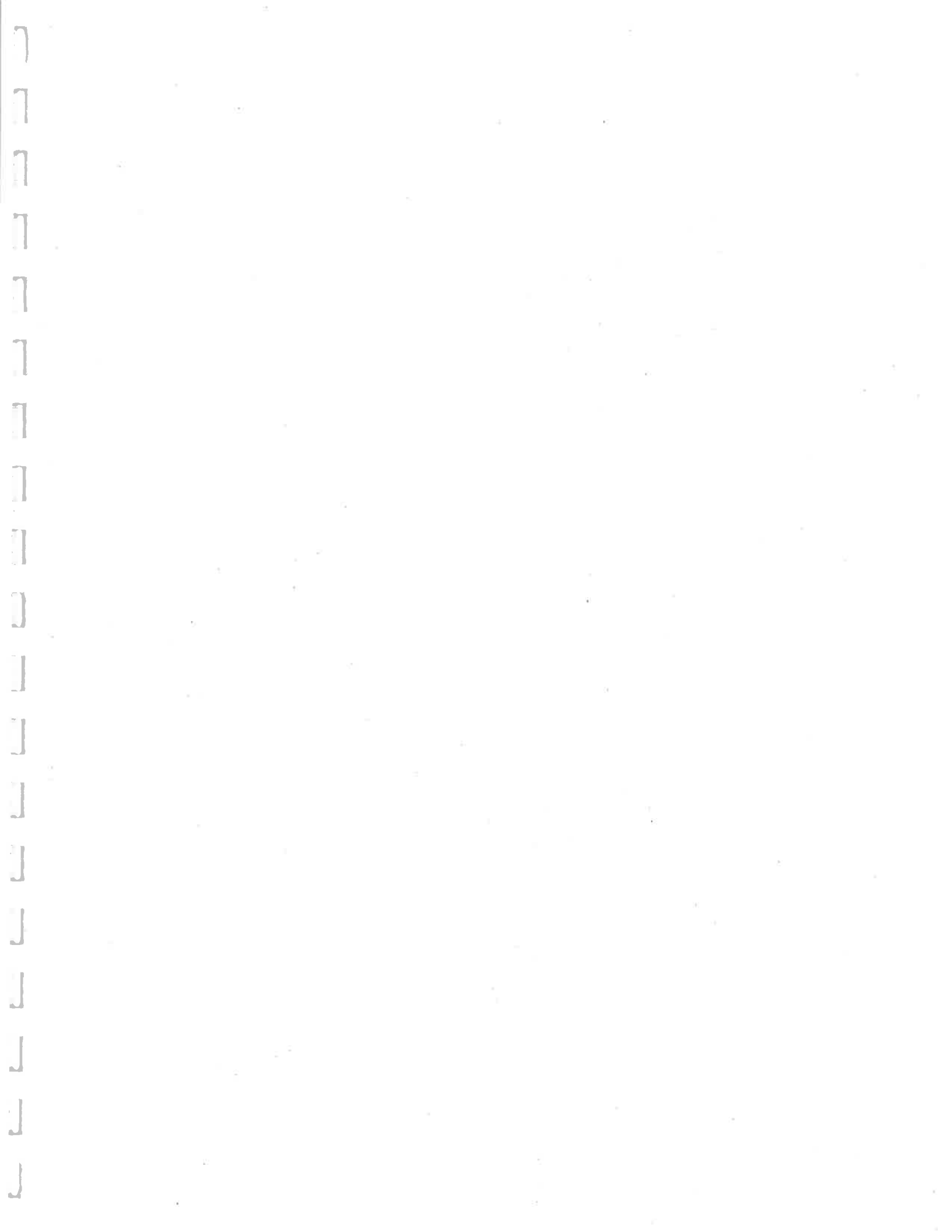


The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF FAYETTE, MISSISSIPPI
ANNUAL FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2017
AND FOR THE YEAR THEN ENDED
WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS



TOWN OF FAYETTE, MISSISSIPPI
 Annual Financial Statements
 As of and for the Year Ended September 30, 2017

TABLE OF CONTENTS

	Statement	Page
Independent Auditor's Report -----		1-2
REQUIRED SUPPLEMENTARY INFORMATION:		
Management's Discussion and Analysis -----		3-8
<u>Basic Financial Statements</u>		
GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Statement of Net Position -----	A	9
Statement of Activities -----	B	10
FUND FINANCIAL STATEMENTS:		
Governmental Funds:		
Balance Sheet -----	C	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----	D	12
Statement of Revenues, Expenditures, and Changes in Fund Balances -----	E	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities -----	F	14
Proprietary Funds:		
Statement of Net Position -----		15
Statement of Revenues, Expenses, and Changes in Net Position -----		16
Combined Statement of Cash Flows -----		17
Fiduciary Funds:		
Statement of Assets and Liability -----		18
Notes to the Basic Financial Statements -----		19-32
Required Supplementary Information:		
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual -----		33

TOWN OF FAYETTE, MISSISSIPPI

Annual Financial Statements
As of and for the Year Ended September 30, 2017

TABLE OF CONTENTS

	Schedule	Page
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS		
Special Revenue Funds -----		34
Combining Balance Sheet -----	A	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -----	B	36
Schedule of Cash Receipts and Disbursements Reserve Accounts Required by Rural Development Enterprise Fund -----	C	37
INTERNAL CONTROL AND COMPLIANCE REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----		38-39
SCHEDULE OF FINDINGS		
Schedule of Findings -----		40
Schedule of Current Year Findings -----		41
Status of Prior Audit Findings -----		42
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		
Independent Auditor's Report on Compliance with State Laws and Regulations -----		43
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Surety Bonds for Municipal Officials -----	D	44
Statement of Investments -----	E	45
Statement of Legal Debt Limit -----	F	46
Schedule of Long-Term Debt -----	G	47

INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

209 N. Commerce St.
Natchez, MS 39120
P.O. Box 1027
Natchez, MS 39121
Tel: 601-442-7411
Fax: 601-442-8551

2120 Forsythe Ave.
Monroe, LA 71201
P.O. Box 4550
Monroe, LA 71211
Tel: 318-323-4481
Fax: 318-323-2188

www.silassimmons.com

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Fayette, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fayette, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Fayette, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fayette, Mississippi as of September 30, 2017, 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 through 8 and the budgetary comparison information on page 33 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fayette, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules described in the accompanying 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 nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020, on our consideration of the Town of Fayette, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town of Fayette, Mississippi's internal control over financial reporting and compliance.



Natchez, Mississippi
April 27, 2020

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FAYETTE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Introduction

The discussion and analysis of the Town of Fayette, Mississippi's (the Town) annual financial performance provides an overall narrative review of the Town's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the Town's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

Financial Highlights

The assets of the Town of Fayette, Mississippi exceeded its liabilities at the close of the most recent fiscal year by \$878,296 (*net position*). Of this amount, \$386,695 (*unrestricted net assets*), and is not available to be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net position increased by \$94,738. This increase is due primarily to reduction in spending.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending net position of \$1,239,370, an increase of \$60,822 in comparison with the prior year. Approximately \$447,474 or 36% of this total amount is available for spending at the Town's discretion (*unrestricted fund balance*).

The Town's total debt had a net decrease of \$55,072 during the current fiscal year. The key factor in this decrease was the retirement of debt.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Town of Fayette, Mississippi's basic financial statements. The Town'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 supplementary information and other information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

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

TOWN OF FAYETTE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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

- **Governmental Activities**

Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.

- **Business-Type Activities**

Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business-type activities.

Fund Financial Statements

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

- **Governmental Funds**

These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Funds**

These funds are used to account for activities that function in a manner similar to commercial enterprises. The proprietary fund financial statement typically provides a more detailed presentation of the information reported in the business-type activities of the government-wide financial statements.

TOWN OF FAYETTE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Government-Wide Financial Analysis

NET POSITION

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

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 343,529	\$ 449,371	\$ 127,465	\$ 155,574	\$ 470,994	\$ 604,945
Capital assets, net	1,135,546	774,365	277,236	355,653	1,412,782	1,130,018
Total assets	\$ 1,479,075	\$ 1,223,736	\$ 404,701	\$ 511,227	\$ 1,883,776	\$ 1,734,963
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities						
Current and other liabilities	\$ 72,572	\$ 38,106	\$ 258,448	\$ 183,767	\$ 331,020	\$ 221,873
Long-term liabilities	167,133	7,082	507,327	722,450	674,460	729,532
Total liabilities	\$ 239,705	\$ 45,188	\$ 765,775	\$ 906,217	\$ 1,005,480	\$ 951,405
Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position						
Net investment in capital assets	\$ 934,540	\$ 774,365	\$ (332,178)	\$ (253,760)	\$ 602,362	\$ 520,605
Restricted	17,531	34,954	31,883	35,845	49,414	70,799
Unrestricted	287,299	369,229	(60,779)	(177,075)	226,520	192,154
Total net position	\$ 1,239,370	\$ 1,178,548	\$ (361,074)	\$ (394,990)	\$ 878,296	\$ 783,558

As the presentation appearing above demonstrates, the largest portion of the Town's net position of \$602,362 or 69% are invested in capital assets. Net positions invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2017, less any debt used to acquire assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net position 6% represents resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net position 26% is available to be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF FAYETTE, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

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

- * Decrease in total current assets in the amount of \$133,951.
- * Increase in net capital assets in the amount of \$282,764.
- * Increase in current liabilities in the amount of \$109,147.
- * Decrease in long-term liabilities in the amount of \$55,072.

CHANGES IN NET POSITIONS

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

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenue:						
Charges for services	\$ 94,170	\$ 42,368	\$ 475,187	\$ 526,067	\$ 569,357	\$ 568,435
Operating grants and contributions	-	16,099	-	-	-	16,099
Capital grants and contributions	224,800	-	-	-	224,800	-
General revenue:						
Property taxes	366,480	383,958	-	-	366,480	383,958
Sales taxes	216,975	211,396	-	-	216,975	211,396
Franchise taxes	53,205	64,439	-	27,747	53,205	92,186
Charges for services	-	19,500	-	-	-	19,500
Licenses and permits	2,725	9,741	-	-	2,725	9,741
Fines and forfeitures	-	26,833	-	-	-	26,833
Other	56,629	7,727	33,619	18,427	90,248	26,154
Total revenue	\$ 1,014,984	\$ 782,061	\$ 508,806	\$ 572,241	\$ 1,523,790	\$ 1,354,302
Program expenses:						
General government	\$ 452,502	\$ 360,689	\$ -	\$ -	\$ 452,502	\$ 360,689
Public safety	412,002	271,603	-	-	412,002	271,603
Parks and recreation	-	7,495	-	-	-	7,495
Sanitation	54,984	36,041	-	-	54,984	36,041
Public works	34,674	8,035	-	-	34,674	8,035
Water/sewer	-	-	474,945	505,663	474,945	505,663
Total expenses	\$ 954,162	\$ 683,863	\$ 474,945	\$ 505,663	\$ 1,429,107	\$ 1,189,526
Increase (decrease) in net position	\$ 60,822	\$ 98,198	\$ 33,861	\$ 66,578	\$ 94,683	\$ 164,776
Net position, beginning	\$ 1,178,548	\$ 1,080,350	\$ (394,990)	\$ (461,568)	\$ 783,558	\$ 618,782
Net position, ending	\$ 1,239,370	\$ 1,178,548	\$ (361,129)	\$ (394,990)	\$ 878,241	\$ 783,558

TOWN OF FAYETTE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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

Governmental Activities - Governmental activities increased the Town's net position by \$60,822, accounting for 64% of the increase in total growth reduction in the Town's net position.

Business-Type Activities - Business-type activities increased the Town's net position by \$33,916, accounting for 36% of the increase in the Town's net position.

Financial Analysis of the Town of Fayette, Mississippi's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined net position of \$1,239,370, an increase of \$60,822 in comparison to the prior year. In addition, the Town's general fund, which is available for spending at the Town's discretion, reported a fund balance of \$303,090.

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

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

TOWN OF FAYETTE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Budgetary Highlights of Major Funds

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

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

Capital Asset and Debt Administration

Capital asset – As of September 30, 2017, the Town's total capital assets were \$6,820,029. This includes land, buildings, furniture and equipment, mobile equipment, and infrastructure.

This amount represents a gross increase, before depreciation, of \$461,780 from the previous fiscal year. This increase is due to the purchase of a fire truck, garbage truck, and two police cars for the respective departments.

Total accumulated depreciation as of September 30, 2017, was \$5,407,246, including \$179,016 of depreciation expense for the year. The balance in total net capital assets was \$1,412,782 at year end.

Debt Administration – As of September 30, 2017, the Town had \$810,420 in long-term debt outstanding. This includes revenue bonds, bank notes, obligations under capital leases, and compensated absences payable. Of this debt, \$151,118 is due within one year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 130,011	\$ 6,792	\$ 136,803
Accounts receivable, net	24,228	80,831	105,059
Other receivables	66,685	7,959	74,644
Intergovernmental receivables	16,950	-	16,950
Due from other funds	105,655	-	105,655
Restricted assets:			
Cash and cash equivalents	-	31,883	31,883
Capital assets, net	1,135,546	277,236	1,412,782
Total assets	<u>\$ 1,479,075</u>	<u>\$ 404,701</u>	<u>\$ 1,883,776</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable, general	\$ 22,367	\$ 23,521	\$ 45,888
Payroll taxes payable	5,201	-	5,201
Accrued interest payable	-	1,721	1,721
Customers' deposits	-	39,920	39,920
Due to other funds	4,049	83,123	87,172
Notes payable, due within one year	40,955	110,163	151,118
Compensated absences	7,082	8,076	15,158
Notes payable, due in more than one year	160,051	499,251	659,302
Total liabilities	<u>\$ 239,705</u>	<u>\$ 765,775</u>	<u>\$ 1,005,480</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 934,540	\$ (332,178)	\$ 602,362
Restricted	17,531	31,883	49,414
Unrestricted	287,299	(60,779)	226,520
Total net position	<u>\$ 1,239,370</u>	<u>\$ (361,074)</u>	<u>\$ 878,296</u>
Total liabilities and net position	<u>\$ 1,479,075</u>	<u>\$ 404,701</u>	<u>\$ 1,883,776</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT B

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Gov- ern- mental Activities	Busi- ness- Type Activities	
GOVERNMENTAL ACTIVITIES							
Administration	\$ 411,021	\$ -	\$ -	\$ -	\$ (411,021)	\$ -	\$ (411,021)
Judicial	41,481	-	-	-	(41,481)	-	(41,481)
Public safety	408,433	27,145	-	224,800	(156,488)	-	(156,488)
Public works	34,674	-	-	-	(34,674)	-	(34,674)
Sanitation	54,984	67,025	-	-	12,041	-	12,041
Interest on long-term debt	3,569	-	-	-	(3,569)	-	(3,569)
Total governmental activities	\$ 954,162	\$ 94,170	\$ -	\$ 224,800	\$ (635,192)	\$ -	\$ (635,192)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	\$ 444,198	\$ 475,187	\$ -	\$ -	\$ -	\$ 30,989	\$ 30,989
Interest on long-term debt	30,747	-	-	-	-	(30,747)	(30,747)
Total business-type activities	\$ 474,945	\$ 475,187	\$ -	\$ -	\$ -	\$ 242	\$ 242
Total	\$ 1,429,107	\$ 569,357	\$ -	\$ 224,800	\$ (635,192)	\$ 242	\$ (634,950)
General revenues:							
Property taxes					\$ 366,480	\$ -	\$ 366,480
Sales tax					216,975	-	216,975
Franchise tax					53,205	-	53,205
License and permits					2,725	-	2,725
Miscellaneous					88,125	2,088	90,213
Unrestricted investment earnings					35	-	35
Transfers					(31,531)	31,531	-
Total general revenues, special items, and transfers					\$ 696,014	\$ 33,619	\$ 729,633
Change in net position					\$ 60,822	\$ 33,861	\$ 94,683
Net position - beginning					\$ 1,178,548	\$ (394,990)	\$ 783,558
Net position - ending					\$ 1,239,370	\$ (361,129)	\$ 878,241

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

TOWN OF FAYETTE, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 109,476	\$ 20,535	\$ 130,011
Accounts receivable, net of allowances	18,558	5,670	24,228
Other receivables	66,685	-	66,685
Intergovernmental receivable	16,950	-	16,950
Due from other funds	105,655	-	105,655
	<u>317,324</u>	<u>26,205</u>	<u>343,529</u>
Total assets	\$ 317,324	\$ 26,205	\$ 343,529
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable, general	\$ 14,234	\$ 8,133	\$ 22,367
Payroll taxes payable	-	5,201	5,201
Due to other funds	-	4,049	4,049
	<u>14,234</u>	<u>17,383</u>	<u>31,617</u>
Total liabilities	\$ 14,234	\$ 17,383	\$ 31,617
Fund balance:			
Restricted	\$ -	\$ 17,531	\$ 17,531
Unassigned	303,090	(8,709)	294,381
	<u>303,090</u>	<u>8,822</u>	<u>311,912</u>
Total fund balance	\$ 303,090	\$ 8,822	\$ 311,912
Total liabilities and fund balance	<u>\$ 317,324</u>	<u>\$ 26,205</u>	<u>\$ 343,529</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds (Statement C)	\$	311,912
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	\$	1,796,017
Less: accumulated depreciation		(660,471)
		1,135,546
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Compensated absences (sick pay and vacations)	\$	(7,082)
Notes payable		(201,006)
		(208,088)
Net Position of Governmental Activities (Statement A)	\$	1,239,370

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Major Funds</u> General Fund	<u>Nonmajor</u> Governmental Funds	<u>Total</u> Governmental Funds
<u>REVENUES</u>			
General property taxes	\$ 366,480	\$ -	\$ 366,480
Privilege licenses and permits	2,725	-	2,725
Intergovernmental revenues	216,975	233,858	450,833
Franchise taxes	53,205	-	53,205
Charges for services	-	67,025	67,025
Fines and report fees	27,145	-	27,145
Interest income	-	35	35
Rent income	24,000	-	24,000
Miscellaneous	55,065	-	55,065
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 745,595	\$ 300,918	\$ 1,046,513
<u>EXPENDITURES</u>			
General government:			
Administration	\$ 408,216	\$ -	\$ 408,216
Judicial	41,481	-	41,481
Public safety	314,700	26,481	341,181
Public works	26,891	-	26,891
Sanitation	-	26,231	26,231
Capital outlay	167,974	299,800	467,774
Debt payments:			
Principal	16,969	-	16,969
Interest	3,569	-	3,569
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 979,800	\$ 352,512	\$ 1,332,312
Revenues under expenditures	\$ (234,205)	\$ (51,594)	\$ (285,799)
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan proceeds	\$ 167,975	\$ 50,000	\$ 217,975
Transfers - in	73,411	25,000	98,411
Transfers - out	(79,791)	(50,151)	(129,942)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	\$ 161,595	\$ 24,849	\$ 186,444
Net change in fund balance	\$ (72,610)	\$ (26,745)	\$ (99,355)
Fund balances - beginning	\$ 375,700	\$ 35,567	\$ 411,267
Fund balances - ending	<u>\$ 303,090</u>	<u>\$ 8,822</u>	<u>\$ 311,912</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$	(99,355)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:</p>		
Capital outlays	\$	461,780
Depreciation expense		(100,599)
		361,181
<p>The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long term debt.</p>		
	\$	(201,006)
		(201,006)
Change in Net Position of Governmental Activities, Statement B	\$	60,820

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2017

<u>ASSETS</u>	<u>Water/Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 6,792
Accounts receivable, net of allowance	80,831
Other receivables	7,959
Total current assets	<u>\$ 95,582</u>
Restricted assets:	
Cash and cash equivalents	\$ 31,883
Total restricted assets	<u>\$ 31,883</u>
Fixed assets:	
Land	\$ 6,120
Buildings	27,500
Water plant, distribution system, and equipment	4,990,392
Less: accumulated depreciation	(4,746,776)
Total fixed assets	<u>\$ 277,236</u>
Total assets	<u>\$ 404,701</u>
 <u>LIABILITIES</u>	
Current liabilities (payable from current assets):	
Accounts payable	\$ 23,521
Due to other funds	83,123
Compensated absences	8,076
Total current liabilities (payable from current assets)	<u>\$ 114,720</u>
Current liabilities (payable from restricted assets):	
Customer deposits payable	\$ 39,920
Accrued interest payable	1,721
Current portion of revenue bonds payable	110,163
Total current liabilities (payable from restricted assets)	<u>\$ 151,804</u>
Long-term liabilities:	
Bonds payable	\$ 499,251
Total long-term liabilities	<u>\$ 499,251</u>
Total liabilities	<u>\$ 765,775</u>
 <u>NET POSITION</u>	
Net investment in capital assets	\$ (332,178)
Restricted for:	
Debt service	31,883
Unrestricted	(60,779)
Total net position	<u>\$ (361,074)</u>
Total liabilities and net position	<u>\$ 404,701</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water/Sewer Fund
OPERATING REVENUES	
Charges for services:	
Sales to customers	\$ 475,187
Total operating revenues	<u>\$ 475,187</u>
OPERATING EXPENSES	
Personnel services	\$ 222,178
Supplies	74,473
Other services and charges	69,130
Depreciation	78,417
Total operating expenses	<u>\$ 444,198</u>
Operating income	<u>\$ 30,989</u>
Nonoperating Revenues (Expenses)	\$ 55
Other revenue	2,088
Interest expense	<u>(30,747)</u>
Total nonoperating revenues (expenses)	<u>\$ (28,604)</u>
Income Before Transfers	<u>\$ 2,385</u>
Transfers In	<u>\$ 31,531</u>
Change in net position	\$ 33,916
Total net position - beginning of year	<u>(394,990)</u>
Total net position - ending of year	<u><u>\$ (361,074)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAYETTE, MISSISSIPPI

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water/Sewer Fund</u>
<u>Cash Flows From Operating Activities</u>	
Cash received from customers	\$ 497,902
Cash payments to employees	(222,178)
Cash payments to suppliers	(179,070)
Net cash provided by operating activities	<u>\$ 96,654</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Transfers - in	\$ 31,532
Net cash provided by noncapital financing activities	<u>\$ 31,532</u>
<u>Cash Flows From Financing Activities</u>	
Interest paid on retirement of long-term debt	\$ (30,747)
Other income	2,142
Repayment of long-term debt	(104,960)
Net cash used for financing activities	<u>\$ (133,565)</u>
Decrease in cash and cash equivalents	\$ (5,379)
Cash and cash equivalents - beginning of year	<u>44,054</u>
Cash and cash equivalents - end of year	<u>\$ 38,675</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	<u>\$ 30,989</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	\$ 78,417
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	22,715
Other assets	15
Increase (decrease) in:	
Accounts payable	(42,027)
Customer deposits	6,545
Total adjustments	<u>\$ 65,665</u>
Net cash provided by operating activities	<u>\$ 96,654</u>
Supplemental Cash Flow Information:	
Cash paid during the year:	
Interest expense	<u>\$ 30,747</u>

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND

TOWN OF FAYETTE, MISSISSIPPI
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND

SEPTEMBER 30, 2017

<u>ASSETS</u>	<u>Agency Funds</u>
Cash	\$ 25,594
Due from other funds	2,953
Total assets	<u>\$ 28,547</u>
<u>LIABILITIES</u>	
Intergovernmental payables	\$ 18,721
Due to other funds	21,436
Internal balances	(11,610)
Total liabilities	<u>\$ 28,547</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

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

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

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

Basic Financial Statements

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

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

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

A. Government-Wide and Fund Financial Statements

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

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Major Governmental Funds

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

Major Business-Type Funds

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

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

Fiduciary Funds

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

B. Basis of Accounting and Measurement Focus

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

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

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting and Measurement Focus (continued)

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

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

C. Cash and Cash Equivalents

The Town deposits excess funds in the financial institutions selected by the Mayor and governing board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

D. Investments

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

Investments are reported at fair value.

E. Receivables

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

Interfund Transactions and Balances

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

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

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions and Balances (continued)

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 5 for details for interfund transactions, including receivables and payables at year-end.

Internal Activity

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

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20
Machinery and equipment	5-15
Computer equipment	3
Vehicles	3-5
Water and sewer infrastructure	15-20

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Activity (continued)

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

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

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

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

NOTE 2 - BUDGETARY CONTROL

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

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

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

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The carrying amount of the Town's deposits with financial institutions in the governmental activities and the business-type activities funds was \$130,011 and \$38,675, respectively. The carrying amount deposits reported in the government-wide financial statements were: Cash and Cash Equivalents - \$136,803 and Restricted Assets - \$31,883. The restricted assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the Town's programs.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town's deposits above FDIC coverage and are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of September 30, 2017, none of the Town's bank balance was exposed to custodial credit risk.

NOTE 4 - AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is "measurable" and "available." "Available" means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2017, the Town levied and collected 54.46 mills of taxes for general corporate purposes of the Town.

NOTE 5 - INTERFUND BALANCES

Individual fund interfund receivable and payable balances are presented as of September 30, 2017, as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General fund	\$ 105,655	\$ 83,123
Water/sewer fund		21,436
Fiduciary fund	2,953	
Nonmajor Funds:		
Sanitation fund		1,096
Fire fund		2,953
Total	<u>\$ 108,608</u>	<u>\$ 108,608</u>

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 5 - INTERFUND BALANCES (continued)

Individual fund interfund transfers are presented as of September 30, 2017, as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 73,411	\$ 79,791
Water/sewer fund	31,531	
Nonmajor Funds:		
Sanitation fund		50,151
Fire fund	<u>25,000</u>	
Total	<u>\$ 129,942</u>	<u>\$ 129,942</u>

NOTE 6 - RECEIVABLES

Receivables at September 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:				
Charges for services	\$	\$ 5,670	\$ 363,713	\$ 369,383
Franchise taxes	3,705			3,705
Property taxes	4,353			4,353
Accounts receivable, other	<u>10,500</u>			<u>10,500</u>
Total accounts receivable	<u>\$ 18,558</u>	<u>\$ 5,670</u>	<u>\$ 363,713</u>	<u>\$ 387,941</u>
Other receivables	<u>\$ 66,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,685</u>
Total other receivables	<u>\$ 66,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,685</u>
Due From Other Governments:				
Sales taxes	<u>\$ 16,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,950</u>
Total due from other governments	<u>\$ 16,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,950</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(282,882)</u>	<u>(282,885)</u>
Receivables, net of allowance	<u>\$ 102,193</u>	<u>\$ 5,670</u>	<u>\$ 80,831</u>	<u>\$ 188,694</u>

TOWN OF FAYETTE, MISSISSIPPI

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2017, is as follows:

	Beginning Balance 9/30/2016	Additions	Deletions	Ending Balance 9/30/2017
Governmental activities:				
Capital assets, not being depreciated				
Construction in process	\$ 601,412	\$ -	\$ (601,412)	\$ -
Total capital assets, not being depreciated	<u>\$ 601,412</u>	<u>\$ -</u>	<u>\$ (601,412)</u>	<u>\$ -</u>
Capital assets being depreciated				
Buildings and improvements	\$ 273,591	\$ 601,412	\$ -	\$ 875,003
Automotive and other equipment	319,293	49,950	-	369,243
Machinery and equipment	139,941	411,830	-	551,771
Total capital assets being depreciated	<u>\$ 732,825</u>	<u>\$ 1,063,192</u>	<u>\$ -</u>	<u>\$ 1,796,017</u>
Accumulated depreciation	\$ (559,871)	\$ (100,600)	\$ -	\$ (660,471)
Net depreciable capital assets	<u>\$ 172,954</u>	<u>\$ 962,592</u>	<u>\$ -</u>	<u>\$ 1,135,546</u>
Governmental activities capital assets, net	<u>\$ 774,366</u>	<u>\$ 962,592</u>	<u>\$ (601,412)</u>	<u>\$ 1,135,546</u>
Business-type activities:				
Capital assets, not being depreciated				
Land and right of ways	\$ 6,120	\$ -	\$ -	\$ 6,120
Total capital assets, not being depreciated	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,120</u>
Capital assets being depreciated				
Buildings and improvements	\$ 27,500	\$ -	\$ -	\$ 27,500
Water/sewer system infrastructure	232,979	-	-	232,979
Automotive and other equipment	134,199	-	-	134,199
Machinery and equipment	4,623,214	-	-	4,623,214
Total capital assets being depreciated	<u>\$ 5,017,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,017,892</u>
Accumulated depreciation	\$ (4,668,359)	\$ (78,417)	\$ -	\$ (4,746,776)
Total capital assets being depreciated, net	<u>349,533</u>	<u>(78,417)</u>	<u>-</u>	<u>271,116</u>
Business-type activities capital assets, net	<u>\$ 355,653</u>	<u>\$ (78,417)</u>	<u>\$ -</u>	<u>\$ 277,236</u>

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT

Governmental Activities

A summary of long-term debt transactions for the year ended September 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ -	\$ 217,975	\$ (16,969)	\$ 201,006	\$ 40,955
Compensated absences	7,082	-	-	7,082	-
Total	<u>\$ 7,082</u>	<u>\$ 217,975</u>	<u>\$ (16,969)</u>	<u>\$ 208,088</u>	<u>\$ 40,955</u>

At September 30, 2017, long-term debt was comprised of the following:

\$50,000 loan payable due in one lump sum, plus interest on October 15, 2017, with an interest rate of 2.75%, secured by one fire truck	\$ 50,000
\$49,950 capital lease due in annual installments of \$898.42 beginning March 17, 2017 through March 17, 2022, interest at 3.04%, secured by two Dodge Charger police cars	45,671
\$118,025 capital lease due in annual installments of \$2,155 beginning February 15, 2017 through February 15, 2022, interest at 2.95%, secured by a garbage truck	105,335
Compensated absences	<u>7,082</u>
	<u>\$ 208,088</u>

The maturity schedule for the debt is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 81,951	6,060	\$ 88,011
2019	33,075	3,571	36,646
2020	34,238	2,397	36,636
2021	35,443	1,193	36,636
2022	<u>16,299</u>	<u>131</u>	<u>16,430</u>
Total	<u>\$ 201,006</u>	<u>\$ 13,352</u>	<u>\$ 214,359</u>

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (continued)

Business-Type Activities

Long-term debt activity for the year ended September 30, 2017, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 714,374	\$ -	\$ (104,960)	\$ 609,414	\$ 110,163
Compensated absences	<u>8,076</u>	<u>-</u>	<u>-</u>	<u>8,076</u>	<u>-</u>
Total :	<u>\$ 722,450</u>	<u>\$ -</u>	<u>\$ (104,960)</u>	<u>\$ 617,490</u>	<u>\$ 110,613</u>

Revenue Bond

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

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

This bond was purchased by the USDA Rural Development Administration.

The annual requirement to amortize all bonded debt outstanding as of September 30, 2017, including interest payments of \$80,232 are as follows:

Year ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 76,547	\$ 3,685	\$ 80,232
2019	<u>31,852</u>	<u>368</u>	<u>32,220</u>
	<u>\$ 108,399</u>	<u>\$ 4,053</u>	<u>\$ 112,452</u>

2. On November 2, 1995, the Town of Fayette issued a combined water and sewer system revenue bond (the Bond) of the Town of Fayette, Mississippi (the Municipality) in the principal amount of \$994,000, dated the date of delivery thereof, November 2, 1995. The water revenue bond consisted of an issue in the amount of \$140,000 bearing interest at a rate of 4.50% per annum and issued in the amount of \$804,000 bearing interest at a rate of 5.0% per annum, each being payable of interest only on the first and second anniversary dates of the bond. Principal payments with interest on the unpaid principal balance from date thereof, and paid in equal monthly installments of principal and interest in the amount of \$686 for the \$140,000 bond issue, and \$3,937 monthly payments for the \$804,000 bond issue.

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (continued)

Revenue Bond (continued)

The payments will begin on the third anniversary date of the bond and continuing through the 35th anniversary date of the bond; provided that the final payment of the entire indebtedness, if no sooner paid, shall be due and payable 35 years from the date thereof.

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

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

The annual requirement to amortize the bonded debt outstanding as of September 30, 2017, including interest payments of \$55,476 are as follows for the Enterprise Fund:

Year ended September 30	Water Bond		Sewer Bond	
	Principal	Interest	Principal	Interest
2018	\$ 28,697	\$ 18,546	\$ 4,919	\$ 3,313
2019	30,016	17,228	5,145	3,087
2020	31,395	15,849	5,381	2,851
2021	32,837	14,407	5,629	2,603
2022	34,345	12,899	5,887	2,345
2023 to 2027	196,894	39,326	33,750	7,410
2028 to 2029	70,974	2,645	15,145	694
	<u>\$ 425,158</u>	<u>\$ 120,900</u>	<u>\$ 75,856</u>	<u>\$ 22,303</u>

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The Town adopted GASB Statement 54 during the year ended September 30, 2016, as such, fund balance of the governmental funds are classified by specific purpose as follows:

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

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL (continued)

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Public safety	\$	\$ 17,531	\$ 17,531
Unassigned:			
Other purposes	303,090	(8,709)	294,381
Total fund balances	<u>\$ 303,090</u>	<u>\$ 8,822</u>	<u>\$ 311,912</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

NOTE 11 - COMPENSATION OF ELECTED OFFICIALS

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2017, were as follows:

<u>City Official</u>	<u>Position</u>	<u>Amount</u>
Londell Eanochs	Mayor	\$ 20,988
Kenneth Coffie	Alderman	6,000
DeAdriana Jackson	Alderwoman	6,000
Fredrick Washington	Alderman	6,000
Deliquin D. James, Sr.	Alderman	6,000
Cedric W. Doss	Alderman	6,000
Deborah Donaldson	City Clerk	38,400
Denise Wilson	Deputy City Clerk	27,072
Litricia King	Deputy City Clerk	29,184
LaShawn McMiller	Police Chief	36,000

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 13 - RESERVED FUND BALANCES AND RETAINED EARNINGS

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

NOTE 14 - RISK MANAGEMENT

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

NOTE 15 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

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

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

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

NOTE 16 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2020, the date these financial statements were available for distribution.

As a result of the spread of the COVID-19 (Coronavirus), economic uncertainties have arisen which are likely to negatively impact on operations. However, the related financial impact and duration cannot be reasonably estimated at this time.

TOWN OF FAYETTE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 17 - NEW ACCOUNTING STANDARDS

The Town adopted new accounting pronouncements in the current fiscal year:

In June 2015, GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for the periods beginning after June 15, 2015. The Town is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. This statement will improve the usefulness of information about postemployment benefits other than pensions (Other Postemployment Benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The Town is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB.) These requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The Town is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 360,580	\$ 410,555	\$ 366,480	\$ (44,075)
Privilege licenses and permits	14,963	15,459	2,725	(12,734)
Charges for services	-	-	67,025	67,025
Intergovernmental	430,833	460,000	450,833	(9,167)
Franchise taxes	69,868	76,855	53,205	(23,650)
Rent	92,175	101,392	27,145	(74,247)
Fines and report fees	249,234	274,157	35	(274,122)
Interest	-	-	24,000	24,000
Miscellaneous	66,807	73,487	55,065	(18,422)
Total revenues	<u>\$ 1,284,460</u>	<u>\$ 1,411,905</u>	<u>\$ 1,046,513</u>	<u>\$ (365,392)</u>
EXPENDITURES				
General government:				
Administration	\$ 670,816	\$ 737,897	\$ 408,216	\$ 329,681
Judicial	-	-	41,481	(41,481)
Public safety:				
Police and fire protection	729,552	802,507	829,493	(26,986)
Public works:				
Street improvements	78,945	86,840	53,122	33,718
Total expenditures	<u>\$ 1,479,313</u>	<u>\$ 1,627,244</u>	<u>\$ 1,332,312</u>	<u>\$ 294,932</u>
Revenues under expenditures	<u>\$ (194,853)</u>	<u>\$ (215,339)</u>	<u>\$ (285,799)</u>	<u>\$ (70,460)</u>
Other financing sources (uses)				
Loan proceeds	\$ -	\$ -	\$ 217,975	\$ 217,975
Operating transfers - in	-	-	98,411	98,411
Operating transfers - out	-	-	(129,942)	(129,942)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,444</u>	<u>\$ 186,444</u>
Excess revenues and other sources under expenditures and other uses	\$ (194,853)	\$ (215,339)	\$ (99,355)	\$ 115,984
Fund balance - beginning of year	<u>\$ 411,267</u>	<u>\$ 411,267</u>	<u>\$ 411,267</u>	<u>\$ -</u>
Fund balance - end of year	<u>\$ 216,414</u>	<u>\$ 195,928</u>	<u>\$ 311,912</u>	<u>\$ 115,984</u>

The accompanying notes are an integral part of these financial statements.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -
NONMAJOR GOVERNMENTAL FUNDS**

TOWN OF FAYETTE, MISSISSIPPI
NONMAJOR GOVERNMENTAL FUND
SEPTEMBER 30, 2017

SPECIAL REVENUE FUNDS

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

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

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

TOWN OF FAYETTE, MISSISSIPPI

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
ASSETS			
Cash and cash equivalents	\$ 20,484	\$ 51	\$ 20,535
Accounts receivable	-	5,670	5,670
Total assets	\$ 20,484	\$ 5,721	\$ 26,205
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 8,133	\$ 8,133
Payroll taxes payable	-	5,201	5,201
Due to other funds	2,953	1,096	4,049
Total liabilities	\$ 2,953	\$ 14,430	\$ 17,383
Fund Balances:			
Restricted	\$ 17,531	\$ -	\$ 17,531
Unassigned	-	(8,709)	(8,709)
Total fund balances	\$ 17,531	\$ (8,709)	\$ 8,822
Total liabilities and fund balances	\$ 20,484	\$ 5,721	\$ 26,205

TOWN OF FAYETTE, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2017

	Special Revenue Funds		
	Fire Fund	Garbage Fund	Total
REVENUES			
Intergovernmental revenues	\$ 233,858	\$ -	\$ 233,858
Charges for services	-	67,025	67,025
Interest income	-	35	35
Total revenues	<u>\$ 233,858</u>	<u>\$ 67,060</u>	<u>\$ 300,918</u>
EXPENDITURES			
Public safety	\$ 26,481	\$ -	\$ 26,481
Sanitation	-	26,231	26,231
Capital outlay	299,800	-	299,800
Total expenditures	<u>\$ 326,281</u>	<u>\$ 26,231</u>	<u>\$ 352,512</u>
Excess of revenues over (under) expenditures	<u>\$ (92,423)</u>	<u>\$ 40,829</u>	<u>\$ (51,594)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	\$ 50,000	\$ -	\$ 50,000
Operating transfers - in	25,000	(50,151)	(25,151)
Total other financing sources (uses)	<u>\$ 75,000</u>	<u>\$ (50,151)</u>	<u>\$ 24,849</u>
Net Change in Fund Balance	\$ (17,423)	\$ (9,322)	\$ (26,745)
Fund Balance - Beginning of Year	<u>34,954</u>	<u>613</u>	<u>35,567</u>
Fund Balance - End of Year	<u>\$ 17,531</u>	<u>\$ (8,709)</u>	<u>\$ 8,822</u>

See Independent Auditor's Report.

TOWN OF FAYETTE, MISSISSIPPI

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
RESERVE ACCOUNTS REQUIRED BY RURAL DEVELOPMENT
ENTERPRISE FUND**

YEAR ENDED SEPTEMBER 30, 2017

	Depreciation Fund	Contingency Fund	Bond Cushion Fund	Total
Cash and investment at beginning of year	\$ 10,251	\$ 10,251	\$ 15,343	\$ 35,845
Cash Receipts				
Transfer from operating account	\$ -	\$ -	\$ -	\$ -
Interest income	15	15	25	55
Total receipts	\$ 15	\$ 15	\$ 25	\$ 55
Total cash and investments available	\$ 10,266	\$ 10,266	\$ 15,368	\$ 35,900
Cash disbursements	(2,008)	(2,008)	(1)	(4,017)
Cash and investment at end of year	\$ 8,258	\$ 8,258	\$ 15,367	\$ 31,883

See Independent Auditor's Report.

INTERNAL CONTROL AND COMPLIANCE REPORTS



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

209 N. Commerce St.
Natchez, MS 39120
P.O. Box 1027
Natchez, MS 39121
Tel: 601-442-7411
Fax: 601-442-8551

2120 Forsythe Ave.
Monroe, LA 71201
P.O. Box 4550
Monroe, LA 71211
Tel: 318-323-4481
Fax: 318-323-2188

www.silassimmons.com

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

Mayor and Board of Aldermen
Town of Fayette, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fayette, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Fayette, Mississippi's basic financial statements and have issued our report thereon dated April 27, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-002

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. No significant deficiencies were identified during our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fayette, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards: 2017-001*

The Town of Fayette, Mississippi's Response to Findings

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

Purpose of this Report

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



Natchez, Mississippi
April 27, 2020

SCHEDULE OF FINDINGS

TOWN OF FAYETTE, MISSISSIPPI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Material noncompliance relating to the basic financial statements? | No |

Federal Awards:

Not applicable

TOWN OF FAYETTE, MISSISSIPPI
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION 2: FINANCIAL STATEMENT FINDINGS

Deficiencies Considered to be Material Weaknesses or Material Noncompliance

2017-1	<u>Financial Statement Submission to State Auditor</u>
Condition:	The Town's audited financial statements were not completed and submitted to the Mississippi State Auditor's office by the statutory date of September 30, 2018.
Criteria:	To be considered in good standing with the Mississippi State Auditor, the audited financial statements should be completed and submitted to their office by the end of the next fiscal year.
Cause:	The Town's management found it difficult to prepare the books in time for the external auditors.
Effect:	Material noncompliance relating to the financial statements.
Recommendation:	We recommend that management is diligent in performing monthly and year-end close responsibilities and getting the books to the external auditors earlier.
Response:	Management is aware and will work on this in future years.
2017-2	<u>Maintenance of Utility Subsidiary Ledgers</u>
Condition:	The accounts receivable listing includes many old uncollectible accounts, causing the subsidiary ledgers to reflect a number much larger than the true receivable amount.
Criteria:	Maintenance of subsidiary ledgers is a key component of an adequate system of internal control.
Effect:	Material weakness in internal controls.
Cause:	During previous years, collection policies were not being strictly enforced.
Recommendation:	We recommend that the Town review, on a monthly basis, the subsidiary ledger to determine which accounts should be purged from the system, or which the Town should more aggressively pursue.
Response:	Management will work to correct this finding.

SECTION 3: FEDERAL AWARDS, FINDINGS, AND QUESTIONED COSTS

Not applicable

TOWN OF FAYETTE, MISSISSIPPI
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION 2: FINANCIAL STATEMENT FINDINGS

Deficiencies Considered to be Material Weaknesses

2016-001 **Preparation of Annual Financial Statements**

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

Recommendation

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

Response

Management has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial statements. However, management thoroughly reviews and approves the annual financial statements.

2016-002 **Collection of Utility Accounts Receivable**

During the water and sewer testing, we found that 23 instances out of a sample of 40 transactions, water/sewer customers were delinquent on their outstanding balances and been granted extensions beyond a reasonable period of time to pay their utility bill.

Recommendation

We strongly suggest that the City strictly enforce its collection policies. In addition, the City should implement administrative control procedures to ensure that collection procedures are properly executed in a timely manner. The City should discontinue the services for any and all customers that has exceeded the grace period to pay their utility bill. This will help to improve collections and thereby increase the profitability and the availability of funds.

Response

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

SECTION 3: FEDERAL AWARDS, FINDINGS, AND QUESTIONED COSTS

Not applicable

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



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

209 N. Commerce St.
Natchez, MS 39120
P.O. Box 1027
Natchez, MS 39121
Tel: 601-442-7411
Fax: 601-442-8551

2120 Forsythe Ave.
Monroe, LA 71401
P.O. Box 4550
Monroe, LA 71211
Tel: 318-323-4481
Fax: 318-323-2188

www.silassimmons.com

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

Mayor and Board of Aldermen
Town of Fayette, Mississippi

We have audited the basic financial statements of the Town of Fayette, Mississippi as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Town of Fayette, Mississippi's management, the Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Silas Simmons, LLP

Natchez, Mississippi
April 27, 2020

OTHER SUPPLEMENTARY INFORMATION

TOWN OF FAYETTE, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS

SEPTEMBER 30, 2017

<u>Official Name</u>	<u>Position</u>	<u>Insured By</u>	<u>Bond Amount</u>
Londell Eanochs	Mayor	Western Surety Co.	\$ 50,000.00
Kenneth Coffie	Alderman	Western Surety Co.	\$ 50,000.00
Cedric Doss	Alderman	Western Surety Co.	\$ 50,000.00
DeAdriana Jackson	Alderwoman	Western Surety Co.	\$ 50,000.00
Deliquin D. James, Sr.	Alderman	Western Surety Co.	\$ 50,000.00
Fredrick Washington	Alderman	Western Surety Co.	\$ 50,000.00
Deborah Donaldson	City Clerk	Western Surety Co.	\$ 50,000.00
Denise Wilson	Deputy Clerk	Western Surety Co.	\$ 50,000.00
Litricia King	Deputy Clerk	Western Surety Co.	\$ 50,000.00
LaShawn McMiller	Police Chief	Western Surety Co.	\$ 50,000.00

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 2017

The Town of Fayette, Mississippi did not have any investments for the year ended September 30, 2017.

TOWN OF FAYETTE, MISSISSIPPI

STATEMENT OF LEGAL DEBT LIMIT

SEPTEMBER 30, 2017

Authorized Debt Limit Percent Rule

	10%	15%
Authorized debt limit percent		
2016 tax roll estimation	\$ 6,092,686	\$ 6,092,686
Less: Homestead exemption	<u>(23,643)</u>	<u>(23,643)</u>
Net 2016 tax roll estimation	<u>\$ 6,069,043</u>	<u>\$ 6,069,043</u>
Assessed valuation under respective debt limit	\$ 606,904	\$ 910,356
Less: all bonded indebtedness		
Deduct: authorized exemptions		
Water/sewer revenue bonds	<u>609,414</u>	<u>609,414</u>
Margin for further debt under respective debt limits	<u>\$ 606,904</u>	<u>\$ 910,356</u>

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

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either; a) 15%, until September 30, 1999, and then 10% thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or b) 10% of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefitted, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either; a) 20% until September 30, 1999, and 15% thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation, or b) 15% of the assessment upon which taxes were levied for its fiscal year ending September 30, 2984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

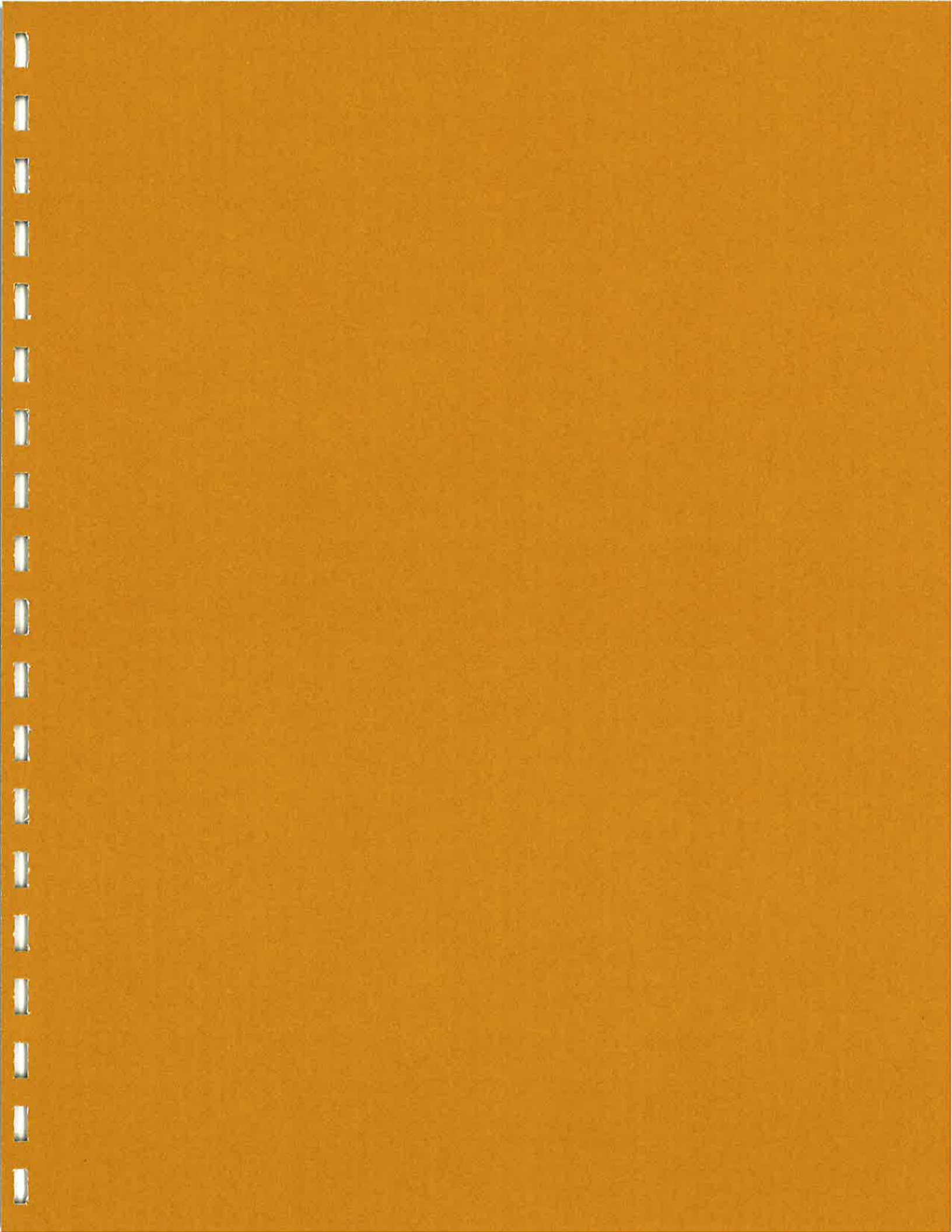
TOWN OF FAYETTE, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT

YEAR ENDED SEPTEMBER 30, 2017

	Balance Outstanding October 1, 2016	During Fiscal Year		Balance Outstanding September 30, 2017
		Issued	Retired	
Proprietary:				
Revenue Bonds				
91-01 Revenue Bond	\$ 181,219	\$ -	\$ 72,820	\$ 108,399
92-03 Revenue Bond	452,595	-	27,437	425,158
91-05 Revenue Bond	80,560	-	4,703	75,857
Total revenue bonds	\$ 714,374	\$ -	\$ 104,960	\$ 609,414
Governmental:				
Other long-term debt				
Note payable - fire truck	\$ -	\$ 50,000	\$ -	\$ 50,000
Capital lease - police cars	-	49,950	4,279	45,671
Capital lease - garbage truck	-	118,025	12,690	105,335
Total governmental	\$ -	\$ 217,975	\$ 16,969	\$ 201,006
Total long-term debt	\$ 714,374	\$ 217,975	\$ 121,929	\$ 810,420

See Independent Auditor's Report.





SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

Established in 1952.

209 N. Commerce Street
P.O. Box 1027
Natchez, Mississippi 39121-1027
Telephone: 601.442.7411
Fax: 601.442.8551

www.silassimmons.com