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CITY OF GRENADA, MISSISSIPPI

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

CITY OF GRENADA, MISSISSIPPI
General Purpose Financial Statements
Year Ended September 30, 2006

Public Officials

Billy F. Collins
Mayor

Sydney Runnels
City Manager

Diane Spencer
City Clerk

Members of the City Council

E. Steve Richardson

Colonel Mister

W. C. Moore

Rich Rothwell

Rev. Ernest Hargrove

George W. Mullen, Jr.

Lewis Johnson

CITY OF GRENADA

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Grenada, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grenada, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grenada, Mississippi, management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.D. to the financial statements, management has not recorded depreciation on general capital assets acquired prior to October 1, 2002 in governmental activities and accordingly has not provided for accumulated depreciation on these assets. Accounting principles generally accepted in the United States of America require that general capital assets be depreciated, which would decrease the assets and net assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects, if any, of not providing depreciation on all general capital assets acquired prior to October 1, 2002 in governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Grenada, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grenada, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2007 on our consideration of the City of Grenada, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 35 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grenada, Mississippi, basic financial statements. The other supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the City of Grenada, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of City of Grenada, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ronnie S. Windham, CPA
Oxford, Mississippi
September 17, 2007

CITY OF GRENADA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
UNAUDITED

This Discussion and Analysis of The City of Grenada, Mississippi's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 were as follows:

Total net assets increased \$4,494,802 from 2005.

Total assets of governmental activities increased \$3,912,697 from 2005.

Total liabilities decreased by \$787,747 from 2005.

In total, cash decreased \$220,686 or 6% from 2005.

Additions to capital assets totaled \$4,336,279 from 2005.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Grenada as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Grenada as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the City's activities are reported as Governmental Activities or Business-type Activities. Governmental Activities include all of the City's governmental type services including police, fire, streets, administration, and other similar departments, Business-type Activities include the City Water and Sewer Department and Solid Waste Department.

Reporting the City of Grenada's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Grenada, the City's major funds are the General, Urban Development Action Grant and Special Tourism/ Civic Center.

Governmental Funds

All of the City's governmental type activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

All of the City's business-type activities are reported in the proprietary funds. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. These funds are reported using an accounting method called accrual accounting which records revenues when earned and expenses when incurred. The reporting entity includes Water and Sewer Fund and Solid Waste Fund. The basis of accounting is the same as used in the Statement of Net Assets and the Statement of Activities, so no reconciliation of differences is necessary.

The City of Grenada as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2006.

	Net Assets	
	Governmental Activities	Business-type Activities
Assets:		
Current and Other Assets	\$ 15,252,874	\$ 6,372,061
Capital Assets, Net	29,580,963	17,391,795
Total Assets	44,833,837	23,763,856
Liabilities:		
Current and Other Liabilities	6,348,729	912,296
Long-term Liabilities:		
Due Within One Year	838,336	444,873
Due in More Than One Year	5,331,592	8,409,662
Total Liabilities	12,518,657	9,766,831
Net Assets:		
Invested in Capital Assets Net of Debt	23,411,035	7,753,234
Restricted:		
Debt Service		136,548
Capital Projects		4,502,430
Economic Development	7,084,384	
Unrestricted	1,819,761	1,604,813
Total Net Assets	\$ 32,315,180	\$ 13,997,025

Total assets for governmental activities increased \$45,246 from 2005. Total assets for business-type activities decreased \$136,764 from 2005.

Net assets of the City's governmental activities increased by \$3,912,697 from 2005 and net assets for business-type activities increased \$582,105 from 2005.

The table below shows the Changes in Net Assets for the year ended September 30, 2006 as compared to Changes in Net Assets for the year ended September 30, 2005.

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
Revenues:		
Program Revenues:		
Charges for services	\$ 814,066	\$ 543,610
Operating grants and contributions	64,093	141,119
Capital grants and contributions	<u>779,958</u>	<u>736,202</u>
Total Program Revenues	1,658,117	1,420,931
General Revenues:		
Property taxes	3,147,796	3,030,548
Other taxes and licenses	5,002,801	4,792,186
Fines and forfeitures	835,042	514,952
Grants and contributions not restricted to specific programs	367,777	459,056
Investment and other revenues	<u>525,550</u>	<u>543,375</u>
Total General Revenues	9,878,966	9,340,117
Total Revenues	<u>11,537,083</u>	<u>10,761,048</u>
Program Expenses:		
General government	921,963	941,560
Public property	713,364	539,536
Public safety	5,353,460	4,639,306
Streets and sanitation	1,099,849	964,023
Motor vehicle maintenance	128,817	123,612
Planning and zoning	144,637	101,989
Recreation and senior citizens	552,275	607,505
Health and welfare	150,000	216,077
Airport	125,301	142,533
Appropriations and non-departmental	390,251	449,410
Interest and fiscal charges	<u>263,119</u>	<u>299,369</u>
Total Program Expenses	9,843,036	9,024,920
Increase in Net Assets	<u>\$ 1,694,047</u>	<u>\$ 1,736,128</u>
Business-type Activities:		
Revenues:		
Program Revenues:		
Charges for services	4,504,831	3,935,465
Operating grants and contributions	<u>\$ 0</u>	<u>\$ 0</u>
Total Program Revenues	4,504,831	3,935,465
General Revenues:		
Investment and other revenues	<u>194,365</u>	<u>28,357</u>
Total Revenues	4,699,196	3,963,822
Program Expenses:		
Water and sewer	3,812,834	3,264,811
Solid waste	746,860	776,846
Golf	502,397	0
Total Program Expenses	<u>5,062,091</u>	<u>4,041,657</u>
(Decrease) in Net Assets	<u>\$ (362,895)</u>	<u>\$ (106,192)</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City property tax accounted for \$3,147,796 or 27.28% of gross revenue; revenues from charges for services and grants and

contributions accounted for \$1,658,117 or 14.37% of gross revenue; and state sales and gas taxes accounted for \$5,002,801 or 43.36% of gross revenue. The City property tax millage rate of 36.9933 mills was approved by the City Council. The City has increased its assessed valuation property tax base by \$22,290,936 or 31.61% in the last five years.

The City's major expense activity is public safety which includes police and fire. These expenses totaled \$5,353,460 or 54.39% of total governmental activity expenses.

Business-type Activities

Charges for services fund our Business-type activities. Our proprietary funds include the Water and Sewer Fund and the Solid Waste Fund. Total charges for services revenues increased \$569,366 or 14.4% from 2005. Operating expenses increased \$1,020,434 or 25.2% from 2005.

The City's Funds

Information about the City's major governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,537,083. This was consistent with the prior year. Total revenues in the General Fund increased by \$776,035 or 7.21% from 2005. Total expenses for the General Fund increased \$818,116 or 9.06% from 2005. General government decreased \$19,597 or .21, Public property increased \$173,828 or 32.22%, Public safety increased \$714,154 or 15.39% and Streets and sanitation increased \$135,826 or 14.08%. Total expenditures exceeded total revenues in the General Fund by \$328,734 for 2006 as compared to expenditures exceeding revenues by \$2,439,700 in 2005.

Information about the City's proprietary funds begins on page 15. These funds are accounted for using the accrual basis of accounting. The basis of accounting for these funds is the same as for the city as a whole and the results of operations are discussed above under "Business-type Activities."

Capital Assets and Long-Term Obligations

Capital Assets

Capital Assets at September 30, 2006 as compared to 2005:
(Net of Depreciation)

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
Land	\$ 5,253,510	\$ 5,253,510
Buildings	12,862,212	10,838,987
Improvements other than buildings	5,788,812	5,413,840
Machinery and equipment	4,925,763	4,745,037
Infrastructure	1,650,099	1,650,099
Construction in progress		935,428
Total Governmental Activities	<u>30,480,396</u>	<u>28,836,901</u>
Business-type Activities:		
Land	\$ 423,301	\$ 423,301
Buildings	93,013	93,013
Water and sewer system	33,526,361	32,512,026
Machinery and equipment	1,297,031	1,012,845
Vehicles	600,188	578,345
Office furniture and fixtures	215,218	215,218
Construction in progress	454,701	725,776
Total Business-type Activities	<u>36,609,813</u>	<u>35,560,524</u>
Total	<u>\$ 67,090,209</u>	<u>\$ 64,397,425</u>

Prior to October 1, 2002 and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected to defer the retroactive reporting of major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2002. Accordingly, those assets and depreciation thereon have not been reported in the financial statements. The

City has until the year ended September 30, 2007 to retroactively report these assets. The retroactive capitalization period will be for major general infrastructure assets acquired from October 1, 1979 through September 30, 2002. The major general infrastructure assets will be reported at estimated historical cost once they are inventoried.

Also, the City has not yet provided for depreciation on general capital assets (other than infrastructure) acquired prior to October 1, 2002 as required by GASB 34. Consequently, depreciation expense and accumulated depreciation on these assets had not been reported in the financial statements.

Long-Term Obligations

At September 30, 2006, the City of Grenada had \$15,615,913 in outstanding General Obligation Bonds, Notes and Revenue Bonds and Commitments. The following table shows the total outstanding long-term obligations of the City:

Long-Term Obligations at Year End

	2006	2005
Governmental Activities:		
General obligation bond	\$ 4,280,000	\$ 4,735,000
Notes Payable	1,289,929	1,203,403
Commitments to other governments	600,000	800,000
Compensated absences	465,074	376,364
Total Governmental Activities	6,635,003	7,114,767
Business-type Activities:		
Revenue bonds	7,455,000	7,650,000
Loans payable	1,399,535	1,577,106
Compensated absences	126,375	61,787
Total Business-type Activities	8,980,910	9,288,893
Total Long-Term Obligations	\$ 15,615,913	\$ 16,403,660

The commitment to other governments above in the amount of \$600,000 is the balance on the City’s commitment to Grenada County to contribute the annual sum of \$200,000 for 10 years for the purpose of funding the county’s debt service on G.O. bonds issued by Grenada County for the construction of an Industrial Training Center on the Grenada Campus of Holmes Community College. This obligation is being retired from the City’s UDAG Fund.

Current Financial Related Activities

Home Investment Partnerships Program

The City has received a \$250,000 grant from the Mississippi Development Authority to build 10 houses for first-time homebuyers. The City will receive \$25,000 from MDA as each of the 10 houses is completed. The City will, in turn, grant each homebuyer this amount to be used as a down payment on the newly built home. The City received \$175,000 during the year for seven houses that were completed.

Airport Improvements

Federal Airport Improvement Program grants and matching state grants and city funds were utilized to improve the airport’s runway.

Fire Station 3 and 4

Fire station #3 is under construction and station #4 is in the planning stage.

Property Tax Revenues

Property taxes levied by the City remained at 36.9933 mills for the year. The City Bond Fund continues to be in deficit position due to loss of rent income from buildings in the industrial park. This will have to be made up through increased tax collections or rent income in the future.

GASB Statement 34 and Financial Reporting

The City is continuing the process of inventorying general government fixed assets and recording depreciation thereon.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Diane Spencer, City Clerk at 662-227-3448.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,414,369	\$ 4,747,407	\$ 8,161,776
Receivables, net of allowance for uncollectibles	4,380,692	535,091	4,915,783
Due from other governments	673,823		673,823
Due from other funds	1,265,873	98,088	1,363,961
Inventory		113,805	113,805
Long-term receivables	5,513,813		5,513,813
Unamortized bond issuance cost	4,304	307,373	311,677
Other assets		570,297	570,297
Capital assets:			
Non-depreciable	5,253,510	516,314	5,769,824
Depreciable, net	24,327,453	16,875,481	41,202,934
Total Assets	<u>\$ 44,833,837</u>	<u>\$ 23,763,856</u>	<u>\$ 68,597,693</u>
LIABILITIES			
Accounts payable	\$ 306,906	\$ 423,964	\$ 730,870
Accrued liabilities	193,161	60,006	253,167
Due to other funds	1,440,162	159,324	1,599,486
Due to other governments			0
Deferred Revenue	3,943,426	74,997	4,018,423
Customer refundable meter deposits		67,630	67,630
Noncurrent liabilities:			0
Due within one year:			0
Bonds and loans payable	838,336	444,873	1,283,209
Due in more than one year			
Loans payable	1,526,592	1,154,662	2,681,254
Bonds payable	3,805,000	7,255,000	11,060,000
Compensated absences	465,074	126,375	591,449
Total Liabilities	<u>\$ 12,518,657</u>	<u>\$ 9,766,831</u>	<u>\$ 22,285,488</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 23,411,035	\$ 7,753,234	\$ 31,164,269
Restricted for:			
Debt service		136,548	136,548
Capital Projects		4,502,430	4,502,430
Economic development	7,084,384		7,084,384
Unrestricted	1,819,761	1,604,813	3,424,574
Total Net Assets	<u>\$ 32,315,180</u>	<u>\$ 13,997,025</u>	<u>\$ 46,312,205</u>

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 921,963	\$ 340,558	\$	\$	\$ (581,405)	\$	\$ (581,405)
Public property	713,364	242,703		217,081	(253,580)		(253,580)
Public safety	5,353,460	22,895		154,396	(5,176,169)		(5,176,169)
Streets and sanitation	1,099,849				(1,099,849)		(1,099,849)
Motor vehicle maintenance	128,817				(128,817)		(128,817)
Planning and zoning	144,637	76,244			(68,393)		(68,393)
Recreation and senior citizens	552,275	22,350	64,093		(465,832)		(465,832)
Health and welfare	150,000			354,871	204,871		204,871
Airport	125,301	109,316		53,610	37,625		37,625
Appropriations and non-departmental	390,251				(390,251)		(390,251)
Interest on long-term debt	263,119				(263,119)		(263,119)
Total governmental activities	<u>9,843,036</u>	<u>814,066</u>	<u>64,093</u>	<u>779,958</u>	<u>(8,184,919)</u>	<u>0</u>	<u>(8,184,919)</u>
Business-type activities:							
Water and Sewer	3,812,834	3,557,652				(255,182)	(255,182)
Solid Waste	746,860	646,344				(100,516)	(100,516)
Dogwoods Golf	502,397	300,835		0		(201,562)	(201,562)
Total business-type activities	<u>5,062,091</u>	<u>4,504,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(557,260)</u>	<u>(557,260)</u>
Total	<u>\$ 14,905,127</u>	<u>\$ 5,318,897</u>	<u>\$ 64,093</u>	<u>\$ 779,958</u>	<u>\$ (8,184,919)</u>	<u>\$ (557,260)</u>	<u>\$ (8,742,179)</u>
General revenues:							
Taxes:							
Taxes levied for general purpose					\$ 3,147,796	\$	\$ 3,147,796
Sales and gas taxes					4,426,372		4,426,372
Occupational licenses and franchise fees					576,429		576,429
Fines and forfeitures					835,042		835,042
Grants and contributions not restricted to specific programs							
Homestead exemption reimbursement					98,242		98,242
Other intergovernmental revenues and grants					244,227		244,227
Investment earnings					525,550	194,365	719,915
Miscellaneous					25,308		25,308
Total general revenues					<u>9,878,966</u>	<u>194,365</u>	<u>10,073,331</u>
TRANSFERS IN					55,000	1,000,000	1,055,000
TRANSFERS OUT					<u>(1,000,000)</u>	<u>(55,000)</u>	<u>(1,055,000)</u>
Total general revenues and transfers					<u>8,933,966</u>	<u>1,139,365</u>	<u>10,073,331</u>
Change in net assets					749,047	582,105	1,331,152
Net assets-beginning (as restated)					31,566,133	13,414,920	44,981,053
Net assets- ending					<u>\$ 32,315,180</u>	<u>\$ 13,997,025</u>	<u>\$ 46,312,205</u>

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	UDAG	Special Tourism /Civic	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 329,407	\$ 1,118,885	\$ 1,594,581	\$ 371,498	\$ 3,414,371
Receivables:					0
Property Taxes	2,818,441			746,524	3,564,965
Due from Other Funds	951,700	250,000		64,173	1,265,873
Due from Other Governments	633,041		31,348	72,131	736,520
Notes		6,080,597			6,080,597
Accrued Interest		70,651			70,651
Other	115,595			18,136	133,731
Total Assets	\$ 4,848,184	\$ 7,520,133	\$ 1,625,929	\$ 1,272,462	\$ 15,266,708
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 257,616	29,859		\$ 19,431	\$ 306,906
Accrued Payroll	162,759			1,904	164,663
Accrued Payroll Taxes	46,413			225	46,638
Due to Other Funds	318,386			1,121,775	1,440,161
Deferred Revenue	2,750,229	405,890		787,307	3,943,426
Total Liabilities	3,535,403	435,749	0	1,930,642	5,901,794
Fund Balances					
Reserved for:					
Special Projects	240,774	7,084,384			7,325,158
Unreserved, reported in:					
General Fund	1,072,007				1,072,007
Debt Service Funds					0
Special Revenue Funds			1,625,929	(8,938)	1,616,991
Capital Projects Funds				(649,242)	(649,242)
Total Fund Balances	1,312,781	7,084,384	1,625,929	(658,180)	9,364,914
Total Liabilities and Fund Balances	\$ 4,848,184	\$ 7,520,133	\$ 1,625,929	\$ 1,272,462	\$ 15,266,708

See Notes to Financial Statements.

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

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	UDAG	Special Tourism/Civic Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 2,480,378	\$	\$	\$ 663,553	\$ 3,143,931
Franchise fees	526,768				526,768
Licenses and permits	126,244				126,244
Administrative fee	340,558				340,558
Intergovernmental	4,260,644	62,231	193,010	913,983	5,429,868
Fines and forfeits	835,042				835,042
Grand Gulf in lieu of taxes	168,561				168,561
Recreation fees	22,351				22,351
Owner project participation					0
Confiscated monies				10,745	10,745
Sales of assets	8,469				8,469
Rent	52,714			299,091	351,805
Interest	18,510	441,517	48,259	5,468	513,754
Miscellaneous	53,173			5,820	58,993
TOTAL REVENUES	8,893,412	503,748	241,269	1,898,660	11,537,089
EXPENDITURES:					
General Government	932,350				932,350
Public property	616,758				616,758
Public safety	5,182,196				5,182,196
Streets and sanitation	976,346				976,346
Motor vehicle maintenance	127,930				127,930
Planning and zoning	141,975				141,975
Recreation and senior citizens	450,248				450,248
Health and welfare				229,159	229,159
Airport				84,303	84,303
Appropriations and non-departmental	183,832			190,362	374,194
Capital Outlay	617,037	720,254		384,969	1,722,260
Debt service:					0
Principal retirement		200,000		554,637	754,637
Interest and other				242,265	242,265
TOTAL EXPENDITURES	9,228,672	920,254	0	1,685,695	11,834,621
Excess (deficiency) of revenues over expenditures	(335,260)	(416,506)	241,269	212,965	(297,532)
Other financing sources (uses):					
Transfers in	55,000			23,000	78,000
Transfers out		(23,000)	(1,000,000)		(1,023,000)
Bond and loan proceeds	249,000				249,000
Total other financing sources (uses):	304,000	(23,000)	(1,000,000)	23,000	(696,000)
Net change in Fund Balances	(31,260)	(439,506)	(758,731)	235,965	(993,532)
Fund Balances-Beg of year (as restated)	4,879,444	7,959,639	2,384,659	1,036,497	16,260,239
Fund Balances - End of year	\$ 4,848,184	\$ 7,520,133	\$ 1,625,928	\$ 1,272,463	\$ 15,266,708

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds \$ (993,552)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 1,643,495	
Less current year depreciation	<u>(378,688)</u>	
		1,264,807

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of bond and loan principal repayments. 814,916

Some intergovernmental revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on fund statements.

Capital grant		
Capital grant		
Operating grant	<u> </u>	0

Proceeds of long-term debt is an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. This is the amount of note payable proceeds. (246,442)

Some expenses reported in the Statement of Activities do not require the use of current available resources and therefore are not reported as expenditures in the governmental funds

Amortization of bond costs	(1,912)	
Increase in accrual for compensated absences	<u>(88,770)</u>	<u>(90,682)</u>

Change in Net Assets of Governmental Activities \$ 749,047

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities- Enterprise funds			
	Water & Sewer	Solid Waste Fund	Golf Fund	Total
	Fund	Current	Golf Fund	Total
ASSETS				
Current Assets:	\$	\$	\$	
Cash and cash equivalents	99,457	(370,219)	515,749	244,987
Accts Rec less allowance for uncollectible accts	409,714	125,377		535,091
Unbilled revenue	284,658	23,172		307,830
Due from other funds	26,604	71,484		98,088
Prepays			257,678	257,678
Bond Escrow	4,139			4,139
Inventory	108,805		5,000	113,805
Total Current Assets	<u>933,377</u>	<u>(150,186)</u>	<u>778,427</u>	<u>1,561,618</u>
Non-Current Assets:				
Restricted:				
Cash	4,502,420			4,502,420
Capital Assets:				0
Land	516,314			516,314
Buildings and improvements			16,502	16,502
Water and sewer system	32,512,026			32,512,026
Equipment	1,120,846	85,624	146,212	1,352,682
Vehicles	600,189		27,791	627,980
Office equipment, furniture and fixtures	215,218			215,218
Less accumulated depreciation	(19,233,763)	(64,929)	(2,769)	(19,301,461)
Construction in progress	1,452,534			1,452,534
Unamortized bond costs	323,551			323,551
Accumulated Amortization	(16,178)			(16,178)
Deposits	650			650
Total Non-Current Assets	<u>21,993,807</u>	<u>20,695</u>	<u>187,736</u>	<u>22,202,238</u>
Total Assets	<u>\$ 22,927,184</u>	<u>\$ (129,491)</u>	<u>\$ 966,163</u>	<u>\$ 23,763,856</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	318,735	49,968	55,261	423,964
Accrued payroll	31,666	3,272	8,471	43,409
Accrued retirement and payroll taxes	6,352	1,569	1,595	9,516
Customer refundable meter deposits	65,417			65,417
Accrued sales taxes	9,294			9,294
Due to other governments				0
Due to other funds	159,288		36	159,324
Deferred Revenue			74,997	74,997
Leases payable-current	22,419		13,788	36,207
Notes payable, State of Mississippi (current)	208,666			208,666
Revenue bonds payable (current)	200,000			200,000
Total Current Liabilities	<u>1,021,837</u>	<u>54,809</u>	<u>154,148</u>	<u>1,230,794</u>
Non-Current Liabilities:				
Leases payable after one year	15,572			15,572
Notes payable due after one year	1,128,284		10,806	1,139,090
Revenue Bonds Payable after one year	7,255,000			7,255,000
Compensated absences	126,375			126,375
Total Non-Current Liabilities	<u>8,525,231</u>	<u>0</u>	<u>10,806</u>	<u>8,536,037</u>
Total Liabilities	<u>9,547,068</u>	<u>54,809</u>	<u>164,954</u>	<u>9,766,831</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,753,234			7,753,234
Restricted:				0
Debt Service	136,548			136,548
Capital Projects	4,502,430			4,502,430
Unrestricted	987,903	(184,300)	801,209	1,604,812
Total Net Assets	<u>\$ 13,380,115</u>	<u>\$ (184,300)</u>	<u>\$ 801,209</u>	<u>\$ 13,997,024</u>

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities- Enterprise funds			Total
	Water and Sewer Fund	Solid Waste Fund	Golf	
Operating revenues:				
Water sales	\$ 2,238,631	\$	\$	2,238,631
Sewer sales	1,053,245			1,053,245
Garbage fees		646,344		646,344
Other charges for services	265,776			265,776
Golf Fees			88,750	88,750
Food and Beverage			31,485	31,485
Golf Merchandise			180,600	180,600
Total operating revenues	<u>3,557,652</u>	<u>646,344</u>	<u>300,835</u>	<u>4,504,831</u>
Operating expenses:				
Salaries and wages	825,061	83,944	143,508	1,052,513
Payroll taxes and retirement	140,498	15,085	15,993	171,576
Insurance	173,769	18,953	13,012	205,734
Supplies, materials and maintenance	553,417	21,546	240,613	815,576
Utilities and communications	319,152		20,912	340,064
Contractual services	202,035	593,328	65,590	860,953
General and administrative	340,558			340,558
Uncollectible accounts	83,313			83,313
Depreciation	791,918	14,004	2,769	805,922
Amortization	17,916			17,916
Total operating expenses	<u>3,447,637</u>	<u>746,860</u>	<u>502,397</u>	<u>4,694,125</u>
Income (loss) from operations	<u>110,015</u>	<u>(100,516)</u>	<u>(201,562)</u>	<u>(189,294)</u>
Non-operating revenues, expenses (-)				
Interest income	191,594		2,771	194,365
Interest expense	(365,197)			(365,197)
Transfer out	(55,000)			(55,000)
Transfer In			1,000,000	1,000,000
Total non-operating revenues, expenses (-)	<u>(228,603)</u>	<u>0</u>	<u>1,002,771</u>	<u>774,168</u>
Changes in net assets	(118,588)	(100,516)	801,209	584,874
Net assets - Beginning (as restated)	<u>13,498,703</u>	<u>(83,783)</u>	<u>0</u>	<u>13,414,920</u>
Net assets - Ending	<u>\$ 13,380,115</u>	<u>\$ (184,299)</u>	<u>\$ 801,209</u>	<u>\$ 13,999,794</u>

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Cash flows from operating activities:	
Cash received from customers	\$ 4,764,252
Cash payments for goods and services	(2,698,041)
Cash payments for payroll, payroll taxes and retirement	(1,429,815)
Cash received - operating grant	<u> </u>
Net provided by operating activities	<u>636,396</u>
Cash flows from non-capital financing activities:	
Advances from other funds	<u>945,000</u>
Net cash provided by non-capital financing activities	<u>945,000</u>
Cash flows from capital and related financing activities:	
Capital Leases	100,414
Acquisition and construction of capital assets	(1,049,289)
Principal payments on State of Mississippi revolving loans	(215,345)
Interest payments on State of Mississippi revolving loans	
Retirement of revenue bonds	(195,000)
Interest paid on revenue bonds	(365,197)
Net cash provided (used) by capital and related financing activities	<u>(1,724,417)</u>
Cash flows from investing activities:	
Interest received on cash and cash equivalents	<u>194,365</u>
Net cash provided (used) by investing activities	<u>194,365</u>
Net increase (decrease) in cash for the year	51,344
Cash and cash equivalents, including \$4,921,453 of restricted cash, beginning of year	4,696,064
Cash and cash equivalents, including \$4,502,420 of restricted cash, end of year	<u>\$ 4,747,408</u>

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2006

Reconciliation of Income From Operations	
To Net Cash Provided by Operating Activities:	
Income (loss) from operations	\$ (192,063)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	826,606
Changes in assets and liabilities:	
(Increase) decrease in net accounts receivable	(200,280)
(Increase) decrease in unbilled revenues	(74,997)
(Increase) decrease in inventory	(5,000)
Increase (decrease) in accounts payable	216,460
(Increase) decrease in accrued personnel services	1,082
(Increase) decrease in accrual for compensated absences	64,588
Increase (decrease) in accrued sales taxes	
Increase (decrease) in due to other governments	_____
Net Cash provided by operating activities	\$ 636,396

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Accounts Payable Clearing	Payroll Fund	Tax Collector's Fund	Evidence Fund	Total 2006
ASSETS					
Cash	\$ 23,258	\$ 54,439	\$ 48,259	\$ 20,533	\$ 146,489
Due from Governmental Funds	4,460	35,940			40,400
Due from Proprietary Funds					0
Due from others			10,699		10,699
Total Assets	\$ 27,718	\$ 90,379	\$ 58,958	\$ 20,533	\$ 197,588
 LIABILITIES					
Accounts payable	\$	\$ 58,212	\$ 20,861	\$ 20,533	\$ 99,606
Due to Governmental Funds	20,103		32,366		52,469
Total Liabilities	\$ 20,103	\$ 58,212	\$ 53,227	\$ 20,533	\$ 152,075

See Notes to Financial Statements.

CITY OF GRENADA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

The City’s financial reporting entity comprises the following:

Primary Government:	City of Grenada
Blended Component Unit:	Grenada Tourism Commission

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units’ board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units’ funds are blended into those of the City’s by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Blended Component Units

Component units that are blended into the reporting activity types of the City’s report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Grenada Tourism Commission	Created to promote tourism. The current City Council serves as entire governing body (Trustees)	Special Revenue

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 % of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 % of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principle and interest on the City's bonds and interest.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION – (Continued)

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Grenada Water and Sewer Fund and Solid Waste Fund.

Fiduciary Funds (Not included in governmental-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes four agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

Fund	Brief Description
Accounts Payable Clearing	Accounts for funds transferred in to pay claims of the City. Funds are transferred in monthly from Governmental and Proprietary type funds and payments are made to vendors.
Payroll Fund	Accounts for disbursement of payroll checks for City. Funds are transferred in monthly from Governmental and Proprietary type funds and payroll checks are disbursed to employees.
Tax Collector’s Fund	All property taxes collected are deposited to this fund. Settlements are made monthly from this fund to the General Fund, City Bond Fund and the City library.
Evidence Fund	Accounts for funds used in criminal investigations.

Major and Nonmajor Funds

The funds further classified as major or nonmajor are as follows:

Fund	Brief Description
Major:	
General	See above for description.
Special Revenue Fund: UDAG	Accounts for proceeds of an Urban Development Action Grant.
Special Tourism/Civic Center	Accounts for a portion of tourism tax revenue designated for special purposes and for funds earmarked for construction of a municipal civic center.
Nonmajor:	
Special Revenue Funds: Airport	Accounts for revenues and expenses associated with the Grenada Airport.
Airport Improvement	Accounts for funds designated for airport improvements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION – (Continued)

Fund	Brief Description
<i>Nonmajor:</i>	
Special Revenue Funds:	
Tourism Commission	Accounts for revenues and expenses of the Grenada Tourism Commission.
Summer Food	Accounts for revenues from the State Department of Education and expenditure of these funds for program purposes.
Aging Service	Accounts for federal program revenues and expenditure of these revenues under Title XX Social Services Block Grant, Title III-B Transportation and Medicaid Waiver programs.
Confiscated Drug	Accounts for funds confiscated in criminal cases.
Crime Prevention	Accounts for state and federal grant funds received for funding crime prevention programs.
Tips	Accounts for funds used in criminal investigations.
FEMA Firefighter	Accounts for the proceeds and expenditures of a federal grant for funding the cost of firefighter training.
LEA	Accounts for the proceeds and expenditures of state and federal law enforcement assistance grants.
HOME	Accounts for the proceeds and expenditures of a HOME Investment Partnerships Program federal grant.
Incubator	Accounts for the proceeds for private, state and federal grants for a business incubator program and the expenditure of these funds for the development of a facility that can be rented to a local business or industry to promote commerce.
Homeland Security	Accounts for the proceeds and expenditures of Federal Homeland Security Grants.
Hazard Mitigation Fund	Accounts for the proceeds of a federal grant for relocating homeowners in hazard prone areas.
Capital Projects Funds:	
Capital Projects	Accounts for the construction of capital projects. Revenues are primarily from loans or grants and expenses are for capital outlay.
1998 G.O. Bonds	Accounts for the proceeds of general obligation bonds issued in 1998 and expenditure of these bonds for specific capital improvement projects.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement of focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budgets and Budgetary Accounting

Budgets are adopted on the cash basis of accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, the City Manager submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. As required by State law, the City conducts public hearings on the budget.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – (Continued)

3. The budget as submitted is reviewed by the Mayor and City Council and necessary revisions are made to the budget. Then the budget is approved prior to September 15.
4. The budget is formally revised no later than July of each year or any time a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for all governmental funds and Water and Sewer Enterprise Fund. The budget and actual comparisons are formally presented in the financial statements to the Mayor and City Council. Budgetary control over other funds is achieved through applicable state law, bond ordinances, or other restrictions imposed when the fund is created.

Budgeted amounts are as originally adopted or as amended by the City Council as of September 30, 2006.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 10 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the governmental-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Unbilled Revenues

An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. ASSETS, LIABILITIES AND EQUITY – (Continued)

Inventory

Inventory is valued at cost. The inventory in the Water and Sewer Department of \$108,804 consists of expendable supplies held for consumption.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, general capital assets including major general infrastructure assets acquired during the current year are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Assets capitalized, not including infrastructure assets, have an estimated useful life of over three years. All infrastructure asset additions are capitalized.

Prior to October 1, 2002, and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected to defer the reporting of major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2002. Accordingly, those assets and depreciation thereon have not been reported in these financial statements. The City has until the year ended September 30, 2007, to retroactively report these assets. The retroactive capitalization period will be for major general infrastructure assets acquired from October 1, 1979 through September 30, 2002. The major general infrastructure assets will be reported at estimated historical cost once they are inventoried.

Also, the city has not yet provided for depreciation on general assets (other than infrastructure) acquired prior to October 1, 2002 as required by GASB 34. Consequently, depreciation expense and accumulated depreciation in these assets has not been reported in these financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Government-wide Statements (Continued)

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash of the proprietary fund representing revenue bond reserve accounts and unspent bond proceeds and net assets of the UDAG Fund restricted for economic development.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. ASSETS, LIABILITIES AND EQUITY (Continued)

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds, revenue bonds, notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October 1 and are payable by the following February 1. The City bills and collects its own property taxes except for automobile taxes which are collected by the County and remitted to the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. REVENUES, EXPENDITURES AND EXPENSES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenses are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 – CASH AND CASH EQUIVALENTS

A summary of cash balances including bank account deposits and cash on hand at September 30, 2006, follows:

Fund	Unrestricted	Restricted	Total
General Fund	\$ 329,407	\$	\$ 329,407
Special Revenue Fund	1,565,479		1,565,479
Debt Service Fund		235,179	235,179
Capital Projects Fund	1,981	1,282,323	1,284,304
Enterprise Fund	244,987	4,502,420	4,747,407
Agency Fund	146,489		146,489
Totals	<u>\$ 2,288,343</u>	<u>\$ 6,019,922</u>	<u>\$ 8,308,265</u>

In accordance with state statutes, the City maintains deposits within approved limits at those depositories authorized by the City Council. State statutes require that all of the City’s deposits be protected by collateral or insurance equal to 105% of the total deposits not covered by insurance. The City’s deposits are collateralized through the Statewide Collateral Pool Program sponsored by the State of Mississippi Treasury Department.

At September 30, 2006, all the City’s funds on deposit in financial institutions were insured or collateralized per the schedule below:

	Category 1	Category 2	Category 3	Total
Carrying amount per books	\$ 100,000	\$ 8,208,266	\$ 0	\$ 8,308,266
Balance per bank	\$ 100,000	\$ 7,961,849	\$ 0	\$ 8,061,849

The categories of risk are described as follows:

- Category 1 – Insured by Federal Deposit Insurance Corporation
- Category 2 – Collateralized with securities held by the pledging financial institution’s agent in the City’s name
- Category 3 - Uncollateralized

NOTE 3 – ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

At September 30, 2006, accounts receivable were as follows:

	Governmental Activities	Business-type Activities	Total
Property taxes receivable	\$ 3,617,573	\$	\$ 3,617,573
Franchise taxes receivable	115,595		115,595
Notes receivable	566,784		566,784
Accrued interest receivable	70,652		70,652
Other	10,088		10,088
Water, sewer, and garbage		970,965	970,962
Returned checks			0
Allowance for uncollectible accounts(-)		(435,874)	(435,874)
Net accounts receivable	\$ <u>4,380,692</u>	\$ <u>535,091</u>	\$ <u>4,915,783</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 5,253,510	\$	\$	\$ 5,253,510
Depreciable assets:				
Buildings	10,838,987	2,023,225		12,862,212
Improvements	5,413,840	374,972		5,788,812
Machinery and equipment	4,745,037	180,726		4,925,763
Infrastructure	1,650,099			1,650,099
Construction in process	935,428		935,428	0
Totals at historical cost	<u>28,836,901</u>	<u>2,578,923</u>	<u>935,428</u>	<u>30,480,396</u>
Less accumulated depreciation for:				
Buildings	95,684	65,675		161,359
Improvements	48,583	65,817		114,400
Machinery and equipment	251,863	210,045		461,908
Infrastructure	124,615	37,151		161,766
Total accumulated depreciation	<u>520,745</u>	<u>378,688</u>	<u>0</u>	<u>899,433</u>
Governmental activities capital assets, net	<u>28,316,156</u>	<u>2,200,235</u>	<u>935,428</u>	<u>29,580,963</u>
Business-type Activities:				
Non-depreciable assets:				
Land	\$ 423,301	\$	\$	\$ 423,301
Depreciable assets:				
Buildings	93,013			93,013
Water and sewer system	32,512,026	1,014,335		33,526,361
Machinery and equipment	1,012,845	284,186		1,297,031
Vehicles	578,345	21,843		600,188
Office furniture and fixtures	215,218			215,218
Construction in progress	725,776	454,701	725,776	454,701
Totals at historical cost	<u>35,560,524</u>	<u>1,775,065</u>	<u>725,776</u>	<u>36,609,813</u>
Less accumulated depreciation for:				
Buildings	39,174	4,038		43,212
Water and sewer system	16,960,056	696,532		17,656,588
Machinery and equipment	760,763	54,392		815,155
Vehicles	466,240	36,742		502,982
Office furniture and fixtures	199,866	215		200,081
Total accumulated depreciation	<u>18,426,099</u>	<u>791,919</u>	<u>0</u>	<u>19,218,018</u>
Business-type activities capital assets, net	\$ <u>17,134,425</u>	\$ <u>983,146</u>	\$ <u>725,776</u>	\$ <u>17,391,795</u>

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follow:

	Ending Balance
General government	\$ 3,329
Public property	91,284
Public safety	109,174
Streets and sanitation	116,406
Motor vehicle maintenance	453
Recreation and senior citizens	17,950
Airport	40,092
Total depreciation expense	\$ 378,688

NOTE 5 – LONG-TERM DEBT

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2005	Additions	Reductions	Ending Balance Sept. 30, 2006	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES:						
GENERAL OBLIGATION BONDS:						
7-17-1991	\$1,315,000 Industrial Bonds, Series 91. Payable in annual installments of \$45,000 to \$150,000 on November 1. Final installment due November 1, 2006. Interest payable on May 1 and November 1 at various rates from 7.9% to 8.4%. Paying agent - Bank of NY	\$ 285,000	\$	\$ 135,000	\$ 150,000	\$ 150,000
12-1-1993	\$1,500,000 Industrial Bonds, Series 91. Payable in annual installments of \$65,000 to \$140,000 on December 1. Final installment due December 1, 2008. Interest payable on June 1 and December 1 at various rates from 6.2% to 6.8%. Paying agent - FNB of Clarksdale, MS	520,000		120,000	400,000	125,000
12-1-1998	\$4,925,000 Public Improvement Bonds, Series 98. Principal payments due annually, varying in amounts from \$145,000 to \$385,000 beginning on December 1, 1999. Final installment due December 1, 2018. Interest payable on December 1 and June 1 at various rates from 4.1% to 5.7%. Paying agent - Peoples Bank of Biloxi, MS	3,930,000		200,000	3,730,000	200,000
	Total General Obligation Bonds	4,735,000	0	455,000	4,280,000	475,000
NOTES PAYABLE:						
1-21-1997	.1 State of Mississippi - Capital Improvements Revolving Loan. Payable in 180 monthly payments of \$6,753.59 starting November 1, 1997 including interest at 4.0%. Final payment November 1, 2012. Proceeds used to fund portion of cost of construction of industrial rental building.	494,787		62,187	432,600	64,943
7-22-1999	State of Mississippi - Capital Improvements Revolving Loan for manufacturing building. Rent from building pays 240 monthly payments of \$3,202.01 starting September 1, 1999 including interest at 4.65%.	392,380	0	30,264	362,116	21,607
10-14-2003	\$1,706,670 Land acquisition loan. Payable annually. To Purchase 1,189 acres of land joining I-55 to establish an industrial development site.				0	
	Total Notes Payable	887,167	0	92,451	794,716	86,550
LONG TERM LEASES						
5/28/2003	Fire Truck 10 year lease- Peoples Bank	203,194		22,091	181,103	22,694
4/15/2004	Stump Grinder 5 year lease- Peoples Bank	29,911		7,130	22,781	7,357
1/20/2004	\$69,775 equipment lease-purchase agreement. Payable in 60 monthly payments of \$1,259.04 including 3.17% interest starting January 2, 2004. For the purchase of an airport sweeper.	48,862		13,758	35,104	14,201
1/21/2005	John Deere tractor 6715 comfort vantage cab tractor \$39,127.27 60 payments of \$707.25	34,269		6,854	27,415	7,733
4/11/2006	TYMCO Sweeper- Street Dept, Hancock Bank \$114,208.75 48 Payments of \$31,478.21	0	114,209		114,209	31,478
4/18/2006	4 POLICE CARS- HANCOCK BANK	0	77,364	15,584	61,780	38,646
6/29/2006	1 VAN G&A- HANCOCK BANK	0	14,482	2,048	12,434	7,164
8/4/2006	2 POLICE CARS- HANCOCK BANK 2 YEARS \$21,394.67 3.94%	0	40,387	0	40,387	20,194
	Total Long Term Leases	316,236	246,442	67,465	495,213	149,467

NOTE 5 – LONG-TERM DEBT- (Continued)

<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Beginning Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Sept. 30, 2005</u>	<u>Amounts Due Within One Year</u>
DUE TO OTHER GOVERNMENTS:						
8-24-1998	\$2,000,000 Commitment to Grenada County Interlocal agreement with Grenada County to contribute the annual sum of \$200,000 for 10 years for the purpose of funding the county's debt service on GO Bonds issued by Grenada County for the construction of an Industrial Training Center on the Grenada Campus of Holmes Community College. Funding will be from UDAG repayments to the City.	800,000		200,000	600,000	200,000
	Total Bonds, Long-Term Leases and Notes Payable	6,738,403	246,442	814,916	6,169,929	911,017
OTHER LIABILITIES:						
	Compensated absences	376,364	88,710		465,074	
	Total Governmental Activities Long-Term Liabilities	\$ 7,114,767	\$ 335,152	\$ 814,916	\$ 6,635,003	\$ 911,017
BUSINESS-TYPE ACTIVITIES:						
REVENUE BONDS (WATER & SEWER ENTERPRISE FUND):						
9/30/2005	\$7,650,000 MS Dev Bank special obligation bond Series 2005. Interest at 5%. Final payment September 1, 2030. Proceeds used for combined water & sewer and solid waste disposal system	7,650,000	0	195,000	7,455,000	200,000
OTHER NOTES PAYABLE (WATER & SEWER ENTERPRISE FUND):						
3-1-1991	State Revolving Fund Loan. Payable to the State of Mississippi in 237 monthly installments of \$16,474.67 including interest at 3.0%. First payment January 1993. Final payment September 2012. Proceeds used to construct lagoon.	1,246,823		162,514	1,084,309	167,457
5-17-1991	State Revolving Fund Loan. Payable to the State of Mississippi in 237 monthly installments of \$4,213.75 including interest at 4.0%. First payment August 1992. Final payment April 2012. Proceeds used for Brown's Creek Interceptor Project.	292,237		39,596	252,641	41,209
	Total Other Notes Payable	1,539,060	0	202,110	1,336,950	208,666
LONG TERM LEASES						
4/18/2006	3/4 Ton Truck- Hancock Bank	0	19,122	3,896	15,226	9,552
6/29/2006	2 Trucks- Hancock Bank	0	25,710	2,945	22,765	12,178
6/29/2006	Truck, Golf Course Van- Hancock Bank	0	27,791	3,197	24,594	13,747
	Total Long Term Leases	0	72,623	10,038	62,585	35,477
	Total bonds and notes payable	9,189,060	72,623	407,148	8,854,535	444,143
	Compensated absences	61,787	64,588	0	126,375	0
	Total Business-type Activities Long-Term Debt	\$ 9,250,847	\$ 137,211	\$ 407,148	\$ 8,980,910	\$ 444,143

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 1,121,744	\$ 275,542	\$ 408,666	\$ 380,199	\$ 2,186,151
2008	978,413	235,975	420,438	367,327	2,002,153
2009	956,542	202,744	432,434	353,873	1,945,593
2010	624,464	174,415	444,660	339,717	1,583,256
2011	621,145	150,090	462,126	324,458	1,557,819
2012-2016	1,995,078	461,290	1,483,625	1,432,590	5,372,583
2017-2021	1,197,846	83,653	1,465,000	1,140,185	3,886,684
2022-2026			1,845,000	743,000	2,588,000
2027-2030			1,830,000	234,250	2,064,250
Total	\$ 7,495,232	\$ 1,583,709	\$ 8,791,949	\$ 5,315,599	\$ 23,186,489

NOTE 6 – NEWSPRINT SOUTH, INC. NOTE RECEIVABLE

An Urban Development Action Grant was awarded to the City in the year 1987 \$8,565,000 to help purchase equipment for a new paper mill. The grant stated that the proceeds of \$8,500,000 would be loaned to the entity and paid back to the City over a specified period and under specified terms. Interest accruing from February 1, 1990, was included in the final loan balance of \$10,624,278, on which payments began February 1, 1995. The payment schedule has been calculated according to the terms provided by the U.S. Department of Housing and Urban Development as follow: \$440,017, semi-annual payment from 1995 through February 1999. This is based upon an amortization of the principal and total interest accrued during the first 5 years of the note on an 18-year schedule at 5% interest. There were no payments August 1999 and February 2000. Accrued interest due at those dates was added to the unpaid principal balance. In February 2000, a new amortization schedule was prepared on the unpaid balance providing for 19 semi-annual payments of \$476,542 including interest at 6.5%, beginning August 1, 2000 and one final balloon payment of \$4,438,221, due February 1, 2010. These funds remain in the City to be loaned or expended for economic development.

NOTE 7 – PENSION PLAN

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City of Grenada, Mississippi, is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Grenada, Mississippi's contributions to PERS for the year ended September 30, 2006, 2005, and 2004 were \$516,923, \$433,713, and \$439,504, respectively, equal to the required contributions of each year.

NOTE 8 – LOAN ISSUANCE COST

The City has incurred costs in connection with the issuance of Industrial General Obligation bonds in 1993 of \$28,690. The costs are being amortized over the life of the bonds. The unamortized cost at September 30, 2006 was \$4,304. The unamortized bond issuance costs are reflected as assets in the Governmental Activities column of the Government-wide Statement of Net Assets. They are not reported in the Governmental Funds Balance Sheet because they do not represent financial resources. The City incurred costs in connection with obtaining two State Revolving Fund loans in the Water and Sewer Enterprise Fund in 1991 of \$35,442. The costs are being amortized over the life of the loans. The unamortized cost at September 30, 2006 was \$12,923. The unamortized bond or loan issuance costs are reflected as assets in the business-type Activities Column of the Government-wide Statement of Net Assets and the Proprietary Funds Statement of Net Assets. The city incurred cost of \$323,550 in construction with the 2005 Special Obligation Bond. The unamortized cost at September 30, 2006 is \$307,373.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The City of Grenada has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

In the normal course of business, the City is occasionally a defendant in various lawsuits filed against it. These cases are turned over to the City's insurer's attorneys, who handle the defense of these suits. At present, it is impossible to predict if any loss may be incurred from these suits. The City believes that these suits will be successfully defended.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The City participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The City believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

On April 23, 1998, the City agreed to an intergovernmental agreement between the County of Grenada, Mississippi, the City of Grenada, Mississippi, and Holmes Community College for the purpose of the establishment and operation of an industrial training center at the Grenada Campus of Holmes Community College. The City agreed to contribute the annual sum of \$200,000 for a period of ten years from funds derived from the repayment of certain Urban Development Action Grant (UDAG) payments anticipated by the City. This agreement was signed on August 24, 1998.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 2006, represents interfund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
Government Funds:		
Due from proprietary funds	\$ 32388	\$
Due to proprietary funds		18231
Due from agency funds	52469	
Due to agency funds		40400
Proprietary Funds:		
Due from governmental funds	18231	
Due to governmental funds		32388
Due to agency funds		5336
Agency Funds:		
Due from governmental funds	40400	
Due to governmental funds		52469
Due from proprietary funds	5336	
Total	<u>\$ 148824</u>	<u>\$ 148824</u>

NOTE 11 – FUND BALANCE - DEFICIT

The following funds had deficit fund balances at September 30, 2006:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Summer Food	\$ (31,882)
Brown and Hoffa Creek	(13,019)
Airport	(103,158)
FEMA Hazard Mitigation Project	(417,529)
Aging Services	(23,805)
Confiscated Drug	(14,454)
Homeland Security	(64,038)
Law Enforcement Assistance	(5,856)
Debt Service Funds	(370,776)

The City has established a plan to fund these deficits.

NOTE 12 – FUND EQUITY

Reserved Fund Balance:	<u>Amount</u>
Special Revenue Funds:	
UDAG Fund - Urban Development Grant (Economic Development)	\$ 7,084,383
General Fund - Special Judges	326,931
	<u>\$ 8,454,499</u>

NOTE 13 – RESTRICTED ASSETS

State and Federal Grants and Revenue Bond Agreements require that assets are to be restricted as follows:

	<u>UDAG Fund</u>	<u>Enterprise Fund</u>
2005 Revenue Bond Requirements:		
Debt service	\$	\$ 126,548
Depreciation		5,000
Contingencies		5,000
Capital projects		4,502,430
Economic Development	<u>7,084,383</u>	
Totals	\$ <u>7,084,383</u>	\$ <u>4,638,978</u>

NOTE 14 – RISK MANAGEMENT

The City of Grenada has entered into a joint and several relationship with other public entities in the Mississippi Municipal Worker’s Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

The City of Grenada is a member of the Mississippi Municipal Association Unemployment Compensation Group Account with Unemployment Compensation Control Systems, Inc., of Mississippi as its agent.

CITY OF GRENADA, MISSISSIPPI
 BUDGET COMPARISON SCHEDULE CASH BUDGETARY BASIS - UNAUDITED
 YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Fund:				
Resources (inflows):				
Property taxes	\$ 2,773,437	\$ 2,773,437	\$ 2,512,030	\$ (261,407)
Franchise taxes	500,000	500,000	612,653	112,653
Total taxes	<u>3,273,437</u>	<u>3,273,437</u>	<u>3,124,683</u>	<u>(148,754)</u>
Intergovernmental:				
State of Mississippi:				
Sales tax	3,900,000	3,900,000	3,934,048	34,048
Gasoline tax	30,000	30,000	22,874	(7,126)
State fire rebate	70,000	70,000	75,666	5,666
Liquor licenses	11,000	11,000	12,150	1,150
Grand Gulf	176,000	176,000	168,561	(7,439)
Homestead exemption reimbursement	65,000	65,000	77,880	12,880
Training reimbursements	15,000	15,000	6,000	(9,000)
State aid	0		7,700	7,700
Other state grants	56,500	56,500	55,748	(752)
Grenada County:				
Road tax	60,000	60,000	66,541	6,541
Federal:				
Homeland security grant	20,518	20,518	0	(20,518)
Total Intergovernmental	<u>4,404,018</u>	<u>4,404,018</u>	<u>4,427,168</u>	<u>23,150</u>
Charges for Services:				
Water administration	313,500	340,558	340,558	0
Rent	50,000	50,000	49,321	(679)
Recreation fees	20,000	20,000	22,351	2,351
Total charges for services	<u>383,500</u>	<u>410,558</u>	<u>412,230</u>	<u>1,672</u>
Fines & assessments				
Fines	640,000	640,000	835,042	195,042
Total fines & assessments	<u>640,000</u>	<u>640,000</u>	<u>835,042</u>	<u>195,042</u>
Licenses & permits:				
Privilege licenses	32,000	32,000	37,508	5,508
Building permits	30,000	30,000	56,320	26,320
Inspection fees	15,000	15,000	19,924	4,924
Aircraft registration	400	400	325	(75)
Dog license	200	200	17	(183)
Total licenses & permits	<u>77,600</u>	<u>77,600</u>	<u>114,094</u>	<u>36,494</u>
Interest on accounts	<u>22,000</u>	<u>22,000</u>	<u>18,510</u>	<u>(3,490)</u>
Miscellaneous:				
Accident & offense reports	10,000	10,000	6,132	(3,868)
Library building payment	4,524	4,524	3,393	(1,131)
Sale of property	5,000	5,000	8,469	3,469
Miscellaneous	10,000	10,000	22,813	12,813
Total miscellaneous	<u>29,524</u>	<u>29,524</u>	<u>40,807</u>	<u>11,283</u>

CITY OF GRENADA, MISSISSIPPI
 BUDGET COMPARISON SCHEDULE CASH BUDGETARY BASIS - UNAUDITED
 YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources:				
Operating transfers in	304,000	304,000	304,000	0
Amounts available for appropriation	\$ 9,134,079	\$ 9,161,137	\$ 9,276,534	\$ 115,397
Charges to appropriations (Outflows):				
General & Administrative:				
Personnel Services	\$ 701,092	\$ 701,092	\$ 701,089	\$ 3
Materials & supplies	5,000	18,602	18,597	5
Other services & charges	258,928	258,928	258,926	2
Capital outlay	31,405	31,405	31,404	1
Total general & administrative	996,425	1,010,027	1,010,016	11
Planning and Zoning:				
Personnel Services	91,780	122,829	122,828	1
Materials & supplies	2,725	2,725	2,722	3
Other services & charges	16,359	16,359	16,350	9
Capital outlay	75	75	75	0
Total planning and zoning	110,939	141,988	141,975	13
Appropriations:				
Other services & charges	183,840	183,840	183,832	8
Total appropriations	183,840	183,840	183,832	8
Police:				
Personnel Services	1,990,606	1,990,606	1,990,603	3
Materials & supplies	188,700	188,700	188,695	5
Other services & charges	602,319	602,319	602,316	3
Capital outlay	40,082	40,082	40,081	1
Total police	2,821,707	2,821,707	2,821,695	12
Court:				
Personnel Services	248,849	248,849	248,844	5
Materials & supplies	0	6,995	6,994	1
Other services & charges	176,665	408,665	408,664	1
Capital outlay	700	700	700	0
Total court	426,214	665,209	665,202	7
Fire:				
Personnel Services	1,560,879	1,560,879	1,560,879	0
Materials & supplies	44,575	44,575	44,571	4
Other services & charges	129,968	129,968	129,924	44
Capital outlay	315,710	215,710	269,828	(54,118)
Total fire	2,051,132	1,951,132	2,005,202	(54,070)

CITY OF GRENADA, MISSISSIPPI
 BUDGET COMPARISON SCHEDULE CASH BUDGETARY BASIS - UNAUDITED
 YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Street:				
Personnel Services	459,276	459,276	459,275	1
Materials & supplies	152,779	152,779	152,778	1
Other services & charges	364,293	364,293	364,293	0
Capital outlay	117,460	102,460	102,460	0
Total street	<u>1,093,808</u>	<u>1,078,808</u>	<u>1,078,806</u>	<u>2</u>
Parks & Recreation:				
Personnel Services	300,606	300,606	300,605	1
Materials & supplies	104,305	104,305	104,303	2
Other services & charges	45,342	45,342	45,340	2
Capital outlay	81,186	81,186	81,185	1
Total parks & recreation	<u>531,439</u>	<u>531,439</u>	<u>531,433</u>	<u>6</u>
Public Property:				
Personnel Services	281,107	281,107	281,107	0
Materials & supplies	65,739	65,739	65,739	0
Other services & charges	213,253	213,253	213,253	0
Capital outlay	141,291	126,291	126,291	0
Total public property	<u>701,390</u>	<u>686,390</u>	<u>686,390</u>	<u>0</u>
MVM:				
Personnel Services	94,412	94,412	94,412	0
Materials & supplies	16,707	16,707	16,706	1
Other services & charges	16,812	16,812	16,812	0
Capital outlay	22,449	22,449	22,448	1
Total motor vehicle maintenance	<u>150,380</u>	<u>150,380</u>	<u>150,378</u>	<u>2</u>
Total charges for appropriation	<u>\$ 9,067,274</u>	<u>\$ 9,220,920</u>	<u>\$ 9,274,929</u>	<u>\$ (54,009)</u>

Total actual resources (Inflows) - budgetary basis	\$ 9,276,534
Total actual charges to appropriations (Outflows)	
- budgetary basis	<u>(9,274,929)</u>
Excess of actual charges over resources - budgetary basis	1,605
Fund balance, beginning	\$ 4,879,444
Fund balance, ending	4,881,049
Adjustments to GAAP basis:	
Accrued revenues	(32,865)
Accounts payable paid after October	<u>0</u>
Fund balance, ending (GAAP basis)	4,848,184

CITY OF GRENADA, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Name of Agency or Department	CFDA or Other No.	Name of Grant	Grant I.D. No	Total Awards Expended
US DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through the MS Dept of Human Services				
Title XX-Social Services Block Grant	93.667			\$ 13,914
Title III-B Transportation	93.044			6,178
Medicaid Waiver	93.714			5,684
Total US Department of Health and Human Services				<u>25,776</u>
US DEPT OF HOUSING AND URBAN DEVELOPMENT				
Passed through MS Development Authority				
Home Investment Partnerships	14.239	HOME 2001	M01-SG-28-01-1016	150,000
Community Development Block Grant	14.228	CDBG 2004	1121-04-201-ED-01	270,018
Total US Department of Housing and Urban Development				<u>420,018</u>
US DEPT OF TRANSPORTATION				
Federal Aviation Administration Airport Improvement Program				
	20.106	Drainage Improvements		78,412
Total US Department of Transportation				<u>78,412</u>
US DEPT OF HOMELAND SECURITY				
Passed through MS Dept of Public Safety				
State Domestic Preparedness Equipment	97.004	05 ODP Homeland Security	3SSG-6051	26,070
Homeland Security Grant Program		Terrorism Prevention Grant	05LE201	14,122
Homeland Security Grant		04 Homeland Security Grant	04LE201	23,457
Total US Department of Homeland Security				<u>63,649</u>
US DEPT OF AGRICULTURE				
Natural Resource Conservation Service				
Emergency Watershed Protection Service	10.904		68-4423-5-1344	28,900
Emergency Watershed Protection Service	10.905		68-4423-5-1414	118,150
Total US Department of Agriculture				<u>147,050</u>
TOTAL EXPENDITURES FOR FEDERAL AWARDS				<u>\$ 734,905</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF GRENADA, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2006

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards including the federal grant activity of the City of Grenada, Mississippi, and is presented on the accrual basis of accounting. The information in this statement is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GRENADA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Date Issued		Balance	Transactions		Balance
		Outstanding Oct 1, 2005	Issued	During Year Redeemed	Outstanding Sept 30, 2006
GENERAL LONG-TERM DEBT:					
General Obligation Bonds:					
11/1/1991	General Obligation Industrial Bonds	\$ 285,000	\$ 0	\$ 135,000	\$ 150,000
12/1/1993	General Obligation Industrial Bonds	520,000	0	120,000	400,000
12/1/1998	General Obligation Public Improvement Bonds	3,930,000	0	200,000	3,730,000
	Total general obligation bonds	<u>4,735,000</u>	<u>0</u>	<u>455,000</u>	<u>4,280,000</u>
NOTES PAYABLE:					
State of Mississippi:					
1/21/1997	Capital Improvement Loan	494,787	0	62,187	432,600
7/22/1999	Capital Improvement Loan	392,380	0	30,264	362,116
	Total general obligation notes payable	<u>887,167</u>	<u>0</u>	<u>92,451</u>	<u>794,716</u>
LONG TERM LEASES					
5/28/2003	Fire Truck 10 year lease - Peoples Bank	203,194	0	22,091	181,103
2/10/2004	Airport Sweeper Loan	48,862	0	13,758	35,104
4/15/2004	Stump Grinder 5 year lease - Peoples Bank	29,911	0	7,130	22,781
2/20/2005	John Deere Tractor 6715	34,269	0	6,854	27,415
4/11/2006	Street Dept Tymco sweeper- Hancock Bank	0	114,209	0	114,209
4/18/2006	4 Police Cars- Hancock Bank	0	77,364	15,584	61,780
6/29/2006	Van - Hancock Bank	0	14,482	2,048	12,434
8/4/2006	2 Police Cars- Hancock Bank	0	40,387	0	40,387
	Total long term leases	<u>316,236</u>	<u>246,442</u>	<u>67,465</u>	<u>495,213</u>
DUE TO OTHER GOVERNMENTS:					
8/24/1998	Commitment to Grenada County	800,000	0	200,000	600,000
	Total Governmental Activities Long Term Liabilities	6,738,403	246,442	814,916	6,169,929
PROPRIETARY FUNDS LONG-TERM DEBT:					
Special Obligation Bonds:					
9/15/2005	Combined Water & Sewer & Solid Waste Disposal	7,650,000	0	195,000	7,455,000
Other:					
3/1/1991	State Revolving Fund Loan 1	1,246,823	0	162,514	1,084,309
5/17/1991	State Revolving Fund Loan 2	292,237	0	39,596	252,641
	Total water fund long-term debt	<u>9,189,060</u>	<u>0</u>	<u>397,110</u>	<u>8,791,950</u>
WATER LONG TERM LEASES					
4/18/2006	3/4 Ton Truck- Hancock Bank	0	19,122	3,896	15,226
6/29/2006	2 Trucks- Hancock Bank	0	25,710	2,945	22,765
	Total water fund long-term leases	<u>0</u>	<u>44,832</u>	<u>6,841</u>	<u>37,991</u>
GOLF LONG TERM LEASES					
6/29/2006	Truck, Golf Course Van- Hancock Bank	0	27,791	3,197	24,594
	Total golf fund long-term leases	<u>0</u>	<u>27,791</u>	<u>3,197</u>	<u>24,594</u>
	Total long-term debt	<u>\$ 15,927,463</u>	<u>\$ 319,065</u>	<u>\$ 1,222,064</u>	<u>\$ 15,024,464</u>

TOWN OF GRENADA, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR TOWN OF OFFICIALS
 SEPTEMBER 30, 2006

	<u>Dates of Coverage</u>		<u>Insurance Company</u>	<u>Coverage Amount at September 30, 2006</u>	
	<u>From</u>	<u>To</u>			
Members of City Council - each	7/1/2006	7/1/2007	Great River Ins. Co.	\$	100,000
City Clerk and Tax Collector	10/1/2006	10/1/2007	Fidelity & Deposit Co.		300,000
All other city employees collecting taxes	10/1/2006	10/1/2007	Fidelity & Deposit Co.		20,000



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Grenada, 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 the City of Grenada, Mississippi, as of and for the year ended September 30, 2006 which collectively comprise the City of Grenada, Mississippi's basic financial statements and have issued our report thereon dated September 17, 2007. The report on the financial statements of the governmental activities was qualified because the City has not recorded depreciation expense or accumulated depreciation on general capital assets acquired in years prior to October 1, 2002. 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 part of obtaining reasonable assurance about whether the City of Grenada, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Grenada, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire except for the following:

* The Board did not always avoid approving claims and the city clerk did not always avoid issuing any warrants which would be in excess of budgeted amounts.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grenada, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Grenada, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management, City Council, 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.

RONNIE S. WINDHAM, CPA
Oxford, Mississippi
September 17, 2007



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, Members of the
City Council and City Manager
City of Grenada, Mississippi

Compliance

We have audited the compliance of City of Grenada, Mississippi, with the types of compliance requirements described in the *U.S. Office of management and Budget (OMB) Circular a-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City of Grenada, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Grenada, Mississippi's management. Our responsibility is to express an opinion on City of Grenada, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-122, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grenada, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grenada, Mississippi's compliance with those requirements.

In our opinion, the City of Grenada, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City of Grenada, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grenada, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, 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.

RONNIE S. WINDHAM, CPA
Oxford, Mississippi
September 17, 2007

CITY OF GRENADA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Summary of Audit Results:

For the City of Grenada, Mississippi governmental activities financial statements opinion unit, the auditor's report expresses a qualified opinion for the year ended September 30, 2006. For the City of Grenada, Mississippi business-type activities, each major fund, and the aggregate remaining fund information financial statements opinion units, the auditor expresses an unqualified opinion for the year ended September 30, 2006.

Two reportable conditions disclosed during the audit of the financial statements are reported in this schedule as 2005-1 and 2. Both of these conditions were considered to be material weaknesses.

No instances of noncompliance material to the financial statements of the City of Grenada, Mississippi were disclosed during the audit.

Non reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

The auditor's report on compliance for the major federal award programs for the City of Grenada, Mississippi expresses an unqualified opinion on all major federal programs.

The audit disclosed no findings related to major programs that were required to be reported under Circular A-133.

The programs tested as major programs included:

U.S. Department of Transportation:
Federal Aviation Administration:
Airport Improvement Program
C.F.D.A. Number: 20.106

U.S. Department of Housing & Urban Development:
Community Development Block Grant
C.F.D.A. Number: 14.228

U.S. Department of Agriculture:
Emergency Watershed Protection Service
C.F.D.A. Number: 10.904

The dollar threshold used to distinguish Type A and Type B programs was \$300,000.

The City of Grenada, Mississippi was determined not to be a low-risk auditee.

Findings — Financial Statements Audit:

Reportable conditions

2006-1. Accounting records.

Conditions: The City's financial accounting records continued to be inadequate and incomplete in many areas.

Criteria: Numerous errors in account balances and transaction posting in the City's general ledger were found.

Effect: Because of the inadequate financial accounting records, City management did not have accurate financial information available to use in making proper financial decision and errors in the financial records went undetected. This also resulted in the delay of the timely completion of the City's annual audit.

Recommendation: Procedures should be implemented requiring a monthly review of the accounting records to correct errors on a timely basis and requiring all bank accounts to be reconciled at least monthly.

Response: City management recognized the problems with the City's accounting records and hired an outside accounting firm to assist in performing accounting functions and training accounting personnel in proper procedures.

2006-2. Capital Assets

Conditions: Governmental Accounting Standards now require that cities depreciate general capital assets. The City has not provided for depreciation on general capital assets acquired before the year ended 9-30-03.

Criteria: The City should review and update its general capital assets inventory list and provide for depreciation on these acquired in prior years. Depreciation has been provided on all general capital assets acquired in the current and prior year.

Effect: The City's financial records do not accurately reflect the current inventory of all general capital assets or depreciation for those assets.

Recommendation: City management should accumulate an updated inventory of all general capital assets acquired in prior years and provide for depreciation on these assets.

Responses: City management has begun the task of updating the inventory of all general capital assets owned by the City as soon as possible and provide for depreciation on these assets.

Findings and Questioned Costs— Major Federal Awards Program Audit:

No findings or questioned costs.