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CITY OF POPLARVILLE, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006



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INTRODUCTORY SECTION

**CITY OF POPLARVILLE, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2006**

ELECTED OFFICIALS

Mayor
Aldersperson
Aldersperson
Aldersperson
Aldersperson
Aldersperson

Billy W. Spiers
John A. Grant, Jr.
Byron Wells
Bill Winborn
Shirley Wiltshire
John Sherman

APPOINTED OFFICIALS

City Clerk and Tax Collector
Police Chief
Fire Chief
Superintendent
City Attorney

Jody Stuart
Charles Fazende
Kris Foster
Sam Hale
Martin Smith

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

June 22, 2007

Honorable Mayor and Members of the
Board of Alderpersons
City of Poplarville
Poplarville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, 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 management of the City of Poplarville, Mississippi. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, Mississippi, as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows 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 June 22, 2007, on our consideration of the City of Poplarville, 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 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 on pages 4 through 10 and budgetary comparison information listed as Schedule 1 are not required parts of the basic financial statements but are considered supplementary information required by the Governmental Accounting Standards Board. 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.

Honorable Mayor and Members of the
Board of Alderpersons
City of Poplarville, Mississippi
Poplarville, Mississippi
June 22, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poplarville, Mississippi's basic financial statements. The introductory section and accompanying financial information listed as Schedules A and B in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Poplarville, Mississippi. The accompanying schedule of expenditures of federal awards (Schedule I) 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 Nonprofit Organizations*, and is also not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Poplarville
200 Highway 26 East
Poplarville, MS 39470
(601)795-8161

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Introduction

The following Management's Discussion and Analysis of the City of Poplarville, Mississippi's (the "City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2006. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2006 by \$6,251,896. Of this amount, ~~unrestricted net assets of \$1,935,800~~ may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets ~~increased by \$1,050,590~~. Of this amount, \$213,396 was associated with business-type activities and \$837,194 was from governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,862,075, an increase of \$547,596 in comparison with the prior year.
- ~~At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,678,706, or 70% of total general fund expenditures.~~
- The City's total debt obligations decreased by \$109,409. However, the City obtained two new capital leases during 2006. The leases allowed the City to acquire a new Ford Crown Victoria police car and a new Kubota tractor for the public works department. All of the new leases mature within 36 months and carry an interest rate of 3.88% per annum. The City also obtained a ten year loan from the state of Mississippi for the purchase of a new fire truck. The loan carries an interest rate of 2% per annum.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Overview of the Financial Statements

The City's basic financial statements comprise the following elements:

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- Governmental funds

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

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are both considered to be major funds.

- Proprietary Funds

The City maintains one proprietary fund for water and sewer operations. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information for this fund is presented in the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net assets as of September 30, 2006 and 2005, derived from the government-wide Statement of Net Assets.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 2,279,810	\$ 1,398,146	\$ 295,294	\$ 171,582	\$ 2,575,104	\$ 1,569,728
Capital assets, net	1,691,980	1,273,280	5,745,273	5,885,844	7,437,253	7,159,124
Total assets	3,971,790	2,671,426	6,040,567	6,057,426	10,012,357	8,728,852
Other liabilities	474,295	137,841	372,392	337,631	846,687	475,472
Long-term liabilities	284,384	157,668	2,629,390	2,894,406	2,913,774	3,052,074
Total liabilities	758,679	295,509	3,001,782	3,232,037	3,760,461	3,527,546
Net assets:						
Invested in capital assets, net of related debt	1,361,324	1,089,660	2,855,300	2,739,809	4,216,624	3,829,469
Restricted	44,472	32,436	55,000	43,434	99,472	75,870
Unrestricted	1,807,315	1,253,821	128,485	42,146	1,935,800	1,295,967
Total net assets	\$ 3,213,111	\$ 2,375,917	\$ 3,038,785	\$ 2,825,389	\$ 6,251,896	\$ 5,201,306

At September 30, 2006 and 2005, the City's assets exceeded liabilities by \$6,251,896 and \$5,201,306, respectively. By far, the largest portion of the City's net assets (67% and 74%) reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. A portion of the net assets is restricted to comply with covenants on water and sewer revenue bonds, funds set aside to cover future workers compensation claims against the City, and drug seizure funds remitted to the City to be used to purchase law enforcement equipment. The remaining portion of net assets is unrestricted, which can be used to finance government operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Government-wide Financial Analysis (Continued)

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2006 and 2005, as derived from the government-wide Statement of Activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 421,971	\$ 366,583	\$ 917,837	\$ 748,514	\$ 1,339,808	\$ 1,115,097
Operating grants and contributions	357,835	118,661	-	-	357,835	118,661
Capital grants and contributions	127,452	-	109,226	42,101	236,678	42,101
Total program revenues	<u>907,258</u>	<u>485,244</u>	<u>1,027,063</u>	<u>790,615</u>	<u>1,934,321</u>	<u>1,275,859</u>
General revenues						
Property taxes	695,597	624,362	-	-	695,597	624,362
Sales taxes	791,866	557,466	-	-	791,866	557,466
Interest earnings	57,460	24,738	304	303	57,764	25,041
Loss on retirement of assets	(8,562)	(3,801)	-	-	(8,562)	(3,801)
Transfers	53,300	-	(53,300)	-	-	-
Other	258,263	24,025	-	-	258,263	24,025
Total general revenues	<u>1,847,924</u>	<u>1,226,790</u>	<u>(52,996)</u>	<u>303</u>	<u>1,794,928</u>	<u>1,227,093</u>
Total revenues	<u>2,755,182</u>	<u>1,712,034</u>	<u>974,067</u>	<u>790,918</u>	<u>3,729,249</u>	<u>2,502,952</u>
Program expenses						
General government	300,989	289,610	-	-	300,989	289,610
Court	75,528	52,296	-	-	75,528	52,296
Public safety	816,525	785,777	-	-	816,525	785,777
Highways and streets	522,013	317,126	-	-	522,013	317,126
Public works	120,066	105,358	-	-	120,066	105,358
Culture and recreation	49,160	28,450	-	-	49,160	28,450
Miscellaneous	25,329	20,375	-	-	25,329	20,375
Interest and fiscal charges	8,378	6,693	-	-	8,378	6,693
Water and sewer	-	-	760,671	749,242	760,671	749,242
Total program expenses	<u>1,917,988</u>	<u>1,605,685</u>	<u>760,671</u>	<u>749,242</u>	<u>2,678,659</u>	<u>2,354,927</u>
Change in net assets	837,194	106,349	213,396	41,676	1,050,590	148,025
Beginning net assets	<u>2,375,917</u>	<u>2,269,568</u>	<u>2,825,389</u>	<u>2,783,713</u>	<u>5,201,306</u>	<u>5,053,281</u>
Ending net assets	<u>\$ 3,213,111</u>	<u>\$ 2,375,917</u>	<u>\$ 3,038,785</u>	<u>\$ 2,825,389</u>	<u>\$ 6,251,896</u>	<u>\$ 5,201,306</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Government-wide Financial Analysis (Continued)

Governmental Activities

Governmental activities increased the City's net assets by \$837,194. Key elements of this increase are:

- The City increased its overall tax millage rate from 51 mills to 54 mills. This, along with a 2.5% increase in overall assessed property values, resulted in the City collecting approximately \$71,000 more in ad valorem taxes for 2006 than in 2005. Ad valorem tax revenues were \$695,597 for 2006 compared to \$624,362 for 2005.
- The City also saw an approximate increase in sales tax collections of \$234,400 (or 42%) in 2006. Sales tax revenue for 2006 was \$791,865 compared to \$557,466 for 2005. The increase is attributed primarily to an influx of new residents subsequent to Hurricane Katrina, as well as an increase in spending directly related to repairs and maintenance to personal and business property as a result of damage caused by the hurricane.

Business-Type Activities

Business-type activities increased the City's net assets by \$41,676. Key elements of this increase are:

- The City's intention is for its water and sewer operations to break even each year. However, total water and sewer user charges exceeded expenses by \$157,166 for 2006, as compared to a loss of \$728 for 2005. The increase is due primarily to a 16% rate increase for residential users and an approximate 11.5% increase for commercial users for 2006. User charges for 2006 total \$917,837 compared to \$748,514 for 2005. In addition, the City recognized \$109,226 of capital grant revenues received to repair damages caused by Hurricane Katrina.

Financial Analysis of the City's Funds

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined unreserved ending fund balance of \$1,678,706.

General Fund

Fund balance at September 30, 2006 totaled \$1,813,897, an increase of \$531,345 during the fiscal year. The increase is the result of:

- The tax millage produced increased tax receipts of approximately \$72,000 over the prior year.
- Sales tax collections for the year ended September 30, 2006 were about \$234,400 greater than in 2005.
- Fines and forfeitures increased by approximately \$41,500 over the prior year.
- Overall, general fund revenues increased by approximately \$825,800 in 2006 while expenditures increased by \$747,500. However, capital expenditures totaling \$215,237, included in the \$747,500 total expenditures, were paid with debt financing. Approximately \$350,000 of the increase in general fund revenues and expenditures are directly attributable to reimbursements from the federal and state governments for Hurricane Katrina related costs. In addition, the City received insurance proceeds of \$148,000 for damages sustained.

Debt Service Fund

The debt service fund had a fund balance of \$48,178 at September 30, 2006, an increase of \$16,251 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Financial Analysis of the City's Funds (Continued)

Proprietary Fund

The City's proprietary fund, the Water and Sewer Fund, reported net assets of \$3,038,785, an increase of \$213,396 during the fiscal year. The City's intention for this Fund is for it to be self-sufficient but not to accumulate an excessive amount of assets as a result of its operations as shown by unrestricted net assets of only \$128,485. In the current year, the Water and Sewer Fund increase of net assets of \$213,396 was primarily due to an increase in utility rates, as noted on the prior page.

Budget Variances in the General Fund

The original budget was prepared and adopted prior to Hurricane Katrina. Accordingly, all of the budget amendments summarized below, except the court department, are due to hurricane repairs, equipment replacement, and other related costs. All differences in the original budget and the final amended budget are summarized as follows:

- \$27,241 increase in general government expenditures.
- \$19,500 increase in court department expenditures to hire a court consultant based on Board approval.
- \$111,497 increase in public safety.
- \$246,687 increase in highways and streets.
- \$4,310 increase in public works.
- \$24,000 increase in culture and recreation.
- Increase of \$3,362 in miscellaneous expenses.

The budget for revenues was not amended, in spite of the fact that revenues exceeded the budget by at least \$555,000. Accordingly, the net result of the amendments to the expenditures budgeted created the need to draw down \$437,597 of existing fund balance not appropriated with the original adopted budget. However, due to the excess revenues received and a positive variance between the final budgeted expenditures and those actually incurred, the City ended the year with an overall positive variance between the budget and actual by approximately \$772,000.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2006, the City reported \$1,691,980 in net capital assets for governmental activities and \$5,745,273 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City acquired the following vehicles and equipment through capital leases or notes payable during the year: 2006 VT04 fire truck for the Fire Department costing \$161,191; a Kubota 4WD tractor for the Highways and Streets Department costing \$23,368; 2006 Crown Victoria for the Police Department costing \$24,157.
- Four 2006 modular offices were donated to the City by FEMA costing a combined \$127,452.
- The City purchased the following additional vehicles and related equipment for the Police Department utilizing federal grant funds: Ford F-150 Supercam XL pickup truck at a cost of \$19,611, a 2006 Crown Victoria at a cost of \$23,853, and in-car video camcorders and radars for each police vehicle at a cost of \$13,481.
- The City incurred \$87,164 to replace certain police and fire equipment destroyed by Hurricane Katrina, including a new communications tower and equipment at a cost of \$54,960. The City was reimbursed for these purchases through grants and insurance.
- The City also had two vehicles donated to the City with a combined value of \$8,760.
- Three pumping station enclosures were destroyed by Hurricane Katrina. The cost to replace these totaled \$66,820 and was covered by insurance and grant funds. In addition, grant funds were used to acquire a backup generator for the Cumberland Street Water Plant at a cost of \$33,911.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Capital Asset and Long-Term Debt Activity (Continued)

Long-Term Debt Activity

At the end of the current fiscal year, the City had \$330,656 in outstanding governmental debt and \$2,686,434 in outstanding proprietary debt. Refer to Note 6 to the financial statements for additional information on the City's long-term debt and other liabilities.

Economic Conditions and Outlook

Property tax collections have been steadily increasing over the past several years. Sales tax collections have been increasing steadily as well. These factors were considered in preparing the City's budget for the 2007 fiscal year.

In the 2007 budget, the City did not raise the overall millage rate because of the significant increase in sales tax collections for 2006 and expected for 2007.

The City received a final decree of annexation on October 25, 2006 with respect to its "friendly" annexation of the Pearl River Community College campus. The City will likely also look to expanding its corporate limits to include land surrounding the two exits off of Interstate 59.

A voluntary moratorium was placed on water connections to the City's water system in mid-2006 as a result of reaching 99% capacity. A subsequent moratorium by the Health Department prohibited any new connections until the City could make certain additions and improvements to its existing water and sewer system. Although the City continues to enjoy strong sales from outside of the City's limits, the Moratorium has stifled the City's ability to permit additional businesses and construction of new housing until certain measures can be taken. Measures taken in fiscal year 2007 are not expected to add capacity to the City's water system until late fiscal year 2007 at the earliest.

Contact the City's Financial Management

This financial report is designed to provide a general overview of the City of Poplarville for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, Jody Stuart, at 200 Highway 26 East, Poplarville, Mississippi 39470.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 36,432	\$ 100	\$ 36,532
Pooled cash and cash equivalents	1,012,709	156,136	1,168,845
Investments	400,000	-	400,000
Receivables:			
Property taxes, net	15,306	-	15,306
Sales tax	134,536	-	134,536
Franchise taxes	38,921	-	38,921
Accounts, net	909	142,174	143,083
Interest	902	-	902
Other	23,944	-	23,944
Due from other governments	215,609	227,220	442,829
Internal balances	343,362	(343,362)	-
Prepaid expenses	12,508	2,693	15,201
Restricted assets:			
Cash and cash equivalents	44,672	105,901	150,573
Other assets, net	-	4,432	4,432
Capital assets:			
Land and construction in progress	467,053	34,915	501,968
Other capital assets, net of accumulated depreciation	1,224,927	5,710,358	6,935,285
Total assets	<u>3,971,790</u>	<u>6,040,567</u>	<u>10,012,357</u>
LIABILITIES			
Accounts payable	184,453	43,969	228,422
Accrued liabilities	52,273	9,651	61,924
Deferred revenue	158,005	-	158,005
Notes payable, current	30,441	210,827	241,268
Bond payable, current	-	35,839	35,839
Capital leases, current	47,503	18,349	65,852
Compensated absences, current	1,620	2,856	4,476
Payable from restricted assets:			
Customer deposits	-	50,901	50,901
Notes payable, noncurrent	213,181	2,257,887	2,471,068
Bond payable, noncurrent	-	362,573	362,573
Capital leases, noncurrent	39,531	8,930	48,461
Compensated absences, noncurrent	31,672	-	31,672
Total liabilities	<u>758,679</u>	<u>3,001,782</u>	<u>3,760,461</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,361,324	2,855,300	4,216,624
Restricted	44,472	55,000	99,472
Unrestricted	1,807,315	128,485	1,935,800
Total net assets	<u>\$ 3,213,111</u>	<u>\$ 3,038,785</u>	<u>\$ 6,251,896</u>

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

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

Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental:							
General government	\$ 300,989	\$ 177,484	\$ 8,508	\$ -	\$ (114,997)	\$ -	\$ (114,997)
Court	75,528	-	-	-	(75,528)	-	(75,528)
Public safety	816,525	113,067	127,680	127,452	(448,326)	-	(448,326)
Highways and streets	522,013	-	-	-	(522,013)	-	(522,013)
Public works	120,066	131,420	221,647	-	233,001	-	233,001
Culture and recreation	49,160	-	-	-	(49,160)	-	(49,160)
Miscellaneous	25,329	-	-	-	(25,329)	-	(25,329)
Interest and fiscal charges	8,378	-	-	-	(8,378)	-	(8,378)
Total governmental activities	1,917,988	421,971	357,835	127,452	(1,010,730)	-	(1,010,730)
Business-type:							
Water and sewer	760,671	917,837	-	109,226	-	\$ 266,392	266,392
Total	\$ 2,678,659	\$ 1,339,808	\$ 357,835	\$ 236,678	(1,010,730)	266,392	(744,338)
General revenues:							
Property taxes, levied for general purposes					695,597	-	695,597
Intergovernmental revenues - sales tax					791,866	-	791,866
Interest earnings					57,460	304	57,764
Insurance proceeds					164,427	-	164,427
Miscellaneous					93,836	-	93,836
Loss on retirement and/or sale of assets					(8,562)	-	(8,562)
Transfers					53,300	(53,300)	-
Total general revenues					1,847,924	(52,996)	1,794,928
Change in net assets					837,194	213,396	1,050,590
Net assets-beginning					2,375,917	2,825,389	5,201,306
Net assets-ending					\$ 3,213,111	\$ 3,038,785	\$ 6,251,896

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF POPLARVILLE, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 36,432	\$ -	\$ 36,432
Pooled cash and cash equivalents	965,501	47,208	1,012,709
Investments	400,000	-	400,000
Receivables:			
Property taxes, net	14,332	974	15,306
Sales tax	134,536	-	134,536
Franchise taxes	38,921	-	38,921
Accounts, net	909	-	909
Interest	902	-	902
Other	2,560	-	2,560
Due from other governments	215,609	-	215,609
Due from other funds	252,643	-	252,643
Advances to other funds	90,719	-	90,719
Prepaid expenses	12,508	-	12,508
Restricted assets:			
Cash and cash equivalents	44,672	-	44,672
	<u>\$ 2,210,244</u>	<u>\$ 48,182</u>	<u>\$ 2,258,426</u>
Total assets			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 184,449	\$ 4	\$ 184,453
Accrued liabilities	52,273	-	52,273
Deferred revenue	158,005	-	158,005
Compensated absences	1,620	-	1,620
	<u>396,347</u>	<u>4</u>	<u>396,351</u>
Total liabilities			
Fund balances:			
Reserved for purpose restrictions	44,472	-	44,472
Reserved for debt service	-	48,178	48,178
Reserved for advances to other funds	90,719	-	90,719
Unreserved	1,678,706	-	1,678,706
	<u>1,813,897</u>	<u>48,178</u>	<u>1,862,075</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 2,210,244</u>	<u>\$ 48,182</u>	<u>\$ 2,258,426</u>

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

**CITY OF POPLARVILLE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

Total governmental funds balance (Exhibit C) \$ 1,862,075

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

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

Governmental capital assets	\$2,161,015	
Less: accumulated depreciation	<u>(469,035)</u>	
		1,691,980

Other receivables not received within the period of availability and, therefore, not reported in the funds.		21,384
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental notes payable and capital leases payable		(330,656)
Compensated absences		<u>(31,672)</u>

Net assets of governmental activities (Exhibit A) \$ 3,213,111

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 650,057	\$ 45,540	\$ 695,597
Franchise	149,564	-	149,564
Licenses and permits	27,920	-	27,920
Intergovernmental:			
Sales tax	791,865	-	791,865
Local	12,000	-	12,000
State	33,658	-	33,658
Federal	451,629	-	451,629
Charges for services	131,420	-	131,420
Interest	57,460	-	57,460
Fines and forfeitures	101,067	-	101,067
Miscellaneous	88,836	-	88,836
Total revenues	<u>2,495,476</u>	<u>45,540</u>	<u>2,541,016</u>
EXPENDITURES			
Current:			
General government	291,030	-	291,030
Court	74,275	-	74,275
Public safety	772,503	-	772,503
Highways and streets	508,199	-	508,199
Public works	120,066	-	120,066
Culture and recreation	49,160	-	49,160
Miscellaneous	25,328	-	25,328
Debt service:			
Principal payments	44,951	23,250	68,201
Interest and fiscal charges	2,339	6,039	8,378
Capital outlay	493,670	-	493,670
Total expenditures	<u>2,381,521</u>	<u>29,289</u>	<u>2,410,810</u>
Excess of revenues over expenditures	<u>113,955</u>	<u>16,251</u>	<u>130,206</u>
OTHER FINANCING SOURCES			
Insurance proceeds	148,043	-	148,043
Debt proceeds	215,237	-	215,237
Sale of assets	810	-	810
Transfers in	53,300	-	53,300
Total other financing sources	<u>417,390</u>	<u>-</u>	<u>417,390</u>
Net changes in fund balances	531,345	16,251	547,596
Fund balances-beginning	<u>1,282,552</u>	<u>31,927</u>	<u>1,314,479</u>
Fund balances-ending	<u>\$ 1,813,897</u>	<u>\$ 48,178</u>	<u>\$ 1,862,075</u>

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

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

Net change in fund balances - total governmental funds (Exhibit D) \$ 547,596

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 allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$489,037	
Depreciation expense	<u>(60,965)</u>	
Excess of capital outlay over depreciation expense		428,072

In the statement of activities, a gain or loss on the retirement/sale of assets is based on the proceeds received and the net book value at the time of sale. The net book value of disposed assets is calculated as follows:

Cost of assets disposed	\$ (26,095)	
Accumulated depreciation on assets disposed	<u>16,723</u>	
Net book value of disposed assets		(9,372)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Other revenues		21,385
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Proceeds from new borrowings is considered revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.		(215,237)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		68,201
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Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences		<u>(3,451)</u>
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Change in net assets of governmental activities (Exhibit B) \$ 837,194

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

PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2006**

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	156,136
Accounts receivable, net	142,174
Due from other governments	227,220
Prepaid expenses	2,693
Total current assets	<u>528,323</u>
Noncurrent assets:	
Other assets, net	4,432
Restricted assets:	
Cash and cash equivalents	105,901
Capital assets:	
Land and construction in progress	34,915
Buildings and improvements, net	5,565,861
Machinery and equipment, net	91,365
Vehicles under leases, net	53,132
Total noncurrent assets	<u>5,855,606</u>
Total assets	<u>6,383,929</u>
LIABILITIES	
Current liabilities:	
Accounts payable	43,969
Accrued liabilities	9,651
Compensated absences payable	2,856
Due to other funds	252,643
Note payable	210,827
Bond payable	35,839
Capital lease	18,349
Payable from restricted assets:	
Customer deposits	50,901
Total current liabilities	<u>625,035</u>
Noncurrent liabilities:	
Advances from other funds	90,719
Note payable	2,257,887
Bond payable	362,573
Capital lease	8,930
Total noncurrent liabilities	<u>2,720,109</u>
Total liabilities	<u>3,345,144</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,855,300
Restricted	55,000
Unrestricted	128,485
Total net assets	<u>\$ 3,038,785</u>

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

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

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 889,913
Tap fees	7,150
Miscellaneous	<u>20,774</u>
Total operating revenues	<u>917,837</u>
OPERATING EXPENSES	
Personnel	167,082
Supplies	48,419
Materials	53,996
Utilities	53,624
Depreciation and amortization	244,193
Other operating expenses	<u>57,578</u>
Total operating expenses	<u>624,892</u>
Operating income	<u>292,945</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	304
Interest expense	(135,779)
Transfers out	<u>(53,300)</u>
Total nonoperating revenues (expenses)	<u>(188,775)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	104,170
Capital contributions	<u>109,226</u>
CHANGE IN NET ASSETS	213,396
TOTAL NET ASSETS-BEGINNING	<u>2,825,389</u>
TOTAL NET ASSETS-ENDING	<u><u>\$ 3,038,785</u></u>

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

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

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 856,770
Payments to suppliers	(189,364)
Payments to employees	(168,002)
Net cash provided by operating activities	<u>499,404</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Repayment of interfund loans	<u>(20,774)</u>
Net cash used by noncapital financing activities	<u>(20,774)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(103,240)
Principal paid on capital debt	(256,445)
Interest paid on capital debt	(138,366)
Net cash used by capital and related financing activities	<u>(498,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Restricted customer deposits	7,080
Interest received	304
Net cash provided by investing activities	<u>7,384</u>
Net decrease in cash and cash equivalents	(12,037)
Balances-beginning of the year	<u>274,174</u>
Balances-end of the year	<u>\$ 262,137</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:	
Unrestricted:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	156,136
Restricted:	
Cash and cash equivalents	105,901
	<u>\$ 262,137</u>

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

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 292,945
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	243,810
Amortization expense	383
Bad debt expense	1,414
(Increase) decrease in current assets	
Accounts receivable	(61,067)
Prepaid expenses	222
Increase (decrease) in current liabilities	
Accounts payable	22,617
Accrued liabilities	(777)
Compensated absences	(143)
Net cash provided by operating activities	<u>\$ 499,404</u>

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

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Poplarville, Mississippi (City), incorporated in 1876 under the laws of the State of Mississippi and situated in Pearl River County, operates under the Mayor-Board form of government and provides the following services as authorized by its charter: Public Safety (Police, Fire, and Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2006.

II. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units. However, see Notes 10 and 11 for information describing related organizations not included in the City's reporting entity.

III. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(A) Basis of Accounting

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(A) Basis of Accounting (Continued)

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City made two exceptions to this policy due to conditions created by the landfall of Hurricane Katrina on August 29, 2005. The City's tax sale on unpaid real property taxes is normally held in late August. The 2005 fiscal year sale was postponed until November, due to Hurricane Katrina, and the proceeds from the sale were remitted to the City in December 2005. Although the tax sale fell outside the City's normal 60-day threshold, the City considered these revenues to be available for use in the 2005 fiscal year. The City also chose to report grant proceeds receivable from federal sources as a result of Hurricane Katrina as current revenues to match these revenues with the costs already incurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, sales taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received by the City.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include personnel costs, administrative expenses, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(B) Fund Types and Major Funds

Governmental Funds

General Fund – The general fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund accounts for the servicing of long-term general obligation debt and payment of related interest and agency fees.

Proprietary Funds

Water and Sewer Fund – The water and sewer fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments are recorded at cost, which approximates market value.

(B) Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

An allowance has been provided in the water and sewer enterprise fund for estimated uncollectible charges. The allowance is based on historical collection experience and other relevant circumstances.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2006, are recorded as prepaid items.

(D) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the enterprise funds represent utility customer deposits subject to refund and amounts restricted per bond covenants. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(E) Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. However, infrastructure assets acquired or constructed prior to October 1, 2003 are not reported in the basic financial statements, as allowed by GASB Statement No. 34. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 50 years
Improvements	25 years
Utility system infrastructure	40 years
Machinery and equipment	10 – 25 years
Vehicles	10 – 25 years

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type statement of net assets. Bond issuance costs and bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

(G) Compensated Absences

The City's policy requires employees to use vacation time by the end of the next calendar year after the calendar year in which the leave was earned. All vacation not used within the aforementioned time frame is forfeited. Retiring and terminated employees are paid for all unused vacation. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, or layoff. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements or use of vacation time.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2006. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(H) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(I) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2: CASH AND INVESTMENTS

(A) Cash

A summary of cash as of September 30, 2006, follows:

	Cash on Hand	Checking and Savings Accounts	Total
Governmental Activities			
General Fund	\$ 600	\$ 1,046,005	\$ 1,046,605
Debt Service Fund	-	47,208	47,208
Total governmental activities	<u>600</u>	<u>1,093,213</u>	<u>1,093,813</u>
Business-Type Activities			
Enterprise Fund			
Water and Sewer Fund	<u>100</u>	<u>262,037</u>	<u>262,137</u>
Total cash and cash equivalents	<u>\$ 700</u>	<u>\$ 1,355,250</u>	<u>\$ 1,355,950</u>

The City maintained the following restricted assets as of September 30, 2006:

Governmental Activities		
Cash and cash equivalents		
Restricted for public safety use		\$ 38,762
Restricted for unemployment claims		<u>5,910</u>
Total restricted assets - governmental activities		<u>44,672</u>
Business-Type Activities		
Cash and cash equivalents		
Restricted for utility customer deposits		50,901
Restricted for bond covenant		<u>55,000</u>
Total restricted assets - business-type activities		<u>105,901</u>
Total restricted assets - government-wide		<u>\$ 150,573</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 2: CASH AND INVESTMENTS (Continued)

(A) Cash (Continued)

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2006 are covered by FDIC insurance or by collateral. The City's deposits are not subject to custodial credit risk.

At September 30, 2006, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$1,367,258	\$1,355,250

(B) Investments

Mississippi municipalities may invest surplus funds in certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

At September 30, 2006, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2005	Purchases	Maturities	Balance September 30, 2006
BankPlus 3.0% interest, matured March 14, 2006	\$ 200,000	\$ -	\$ (200,000)	\$ -
BankPlus 3.7% interest, matured March 9, 2006	200,000	-	(200,000)	-
BankPlus 4.51% interest, matured September 10, 2006	-	200,000	(200,000)	-
BankPlus 4.91% interest, matured March 4, 2007	-	200,000	-	200,000
BankPlus 4.91% interest, matured March 21, 2007	-	200,000	-	200,000
Total	\$ 400,000	\$ 600,000	\$ (600,000)	\$ 400,000

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 3: RECEIVABLES

Receivables at September 30, 2006 consist of the following:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	<u>Total</u>
	General Fund	Debt Service Fund	Water and Sewer Fund	
Property taxes	\$ 14,332	\$ 974	\$ -	\$ 15,306
Sales tax	134,536	-	-	134,536
Franchise taxes	38,921	-	-	38,921
Accounts, gross	909	-	180,059	180,968
Interest	902	-	-	902
Other	23,944	-	-	23,944
Due from other governments	215,609	-	227,220	442,829
Total receivables, gross	429,153	974	407,279	837,406
Less allowance for doubtful receivables	-	-	(37,885)	(37,885)
Total receivables, net	<u>\$ 429,153</u>	<u>\$ 974</u>	<u>\$ 369,394</u>	<u>\$ 799,521</u>

(A) Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Pearl River County tax assessor from information extracted from the County assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1 and personal property taxes become a lien on March 1. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. Taxes on real and personal property are levied by the Board at the first regular meeting in September. The City's tax assessment roll is then approved by the Board after a series of public hearings to receive citizens' objections. The City bills and collects the real and personal property taxes, and Pearl River County bills and collects auto ad valorem and mobile home taxes for the City. These taxes are remitted by the County monthly to the City. In addition, the County also remits to the City a prorata share of road and bridge taxes they collect.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2006, was 54 mills or \$54.00 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2006 have been provided below.

The assessed valuations of the City for the year ended September 30, 2006 are as follows:

Real property	\$ 7,175,679
Personal property	1,429,584
Public utilities	1,904,273
Automobiles	1,834,524
Totals	<u>\$ 12,344,060</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 3: RECEIVABLES (Continued)

(A) Property Taxes (Continued)

The tax levies for the City for the years ended September 30, 2006, 2005, and 2004 are as follows:

	2006	2005	2004
General Fund	50.50	47.00	47.00
Debt Service Fund	3.50	4.00	2.00
Total levy	54.00	51.00	49.00

(B) Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Poplarville) back to the City monthly. Sales tax revenue reported in the general fund was \$791,865. Sales taxes receivable consists of taxes collected by the State for August and September 2006 not received by the City until October and November 2006.

NOTE 4: DUE FROM OTHER GOVERNMENTS

During 2004, one of the City's two water wells stopped operating. The City, after it was determined that the well could not be successfully repaired, began drilling a new well. Since the City was left with one operating well, it began work on the new well before securing funding for its construction. In August 2004, the City received approval from the United States Department of Agriculture (USDA) Rural Development for a grant in the amount of \$151,515 and a loan in the amount of \$185,185, payable over 35 years and accruing interest at 4.5% per annum, to pay for the construction of the new well. If the final cost of the well is less than the total \$336,700 grant/loan approval, the City will be reimbursed for their costs by 55% loan and 45% grant payments.

The well was completed and placed in service by the City in January 2005. The City had incurred a total of \$324,172 of costs related to construction of the new well. The City has accrued 45% of these costs, \$145,878, as a receivable from the USDA. No liability for the loan has been recorded; however, the receipt of grant proceeds is dependent on acceptance of the loan as well. The City was in the process of closing the loan and grant prior to Hurricane Katrina's landfall in August 2005. As a result, the loan and grant did not close until the 2007 fiscal year. Accordingly, the receivable from USDA has carried over to 2006. See Note 15 for loan closing subsequent to year end.

A breakdown of due from other governments at September 30, 2006, is as follows:

	Governmental Activities		Business-type Activities	
	General Fund	Debt Service Fund	Water and Sewer Fund	
			Total	
Due from FEMA	\$ 203,686	\$ -	\$ 74,710	\$ 278,396
Due from MEMA	11,923	-	6,632	18,555
Due from USDA	-	-	145,878	145,878
Total receivables	\$ 215,609	\$ -	\$ 227,220	\$ 442,829

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5: CAPITAL ASSETS

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

	Balance October 1, 2005	Additions	Disposals	Balance September 30, 2006
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 467,053	\$ -	\$ -	\$ 467,053
Capital assets, being depreciated:				
Buildings and improvements	548,096	127,452	-	675,548
Machinery and equipment	180,884	248,355	(8,595)	420,644
Vehicles	384,553	65,705	(17,500)	432,758
Equipment under lease	14,870	23,368	-	38,238
Vehicles under lease	102,617	24,157	-	126,774
Total capital assets, being depreciated	<u>1,231,020</u>	<u>489,037</u>	<u>(26,095)</u>	<u>1,693,962</u>
Less accumulated depreciation for:				
Buildings and improvements	(197,729)	(12,271)	-	(210,000)
Machinery and equipment	(72,126)	(16,015)	7,245	(80,896)
Vehicles	(144,447)	(21,916)	9,478	(156,885)
Equipment under lease	(892)	(925)	-	(1,817)
Vehicles under lease	(9,599)	(9,838)	-	(19,437)
Total accumulated depreciation	<u>(424,793)</u>	<u>(60,965)</u>	<u>16,723</u>	<u>(469,035)</u>
Total capital assets, being depreciated, net	<u>806,227</u>	<u>428,072</u>	<u>(9,372)</u>	<u>1,224,927</u>
Total governmental activities capital assets, net	<u>\$ 1,273,280</u>	<u>\$ 428,072</u>	<u>\$ (9,372)</u>	<u>\$ 1,691,980</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 34,915	\$ -	\$ -	\$ 34,915
Capital assets, being depreciated:				
Buildings and improvements	9,633,839	66,820	-	9,700,659
Machinery and equipment	148,061	36,419	-	184,480
Vehicles under lease	62,928	-	-	62,928
Total capital assets, being depreciated	<u>9,844,828</u>	<u>103,239</u>	<u>-</u>	<u>9,948,067</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,904,247)	(230,551)	-	(4,134,798)
Machinery and equipment	(85,519)	(7,596)	-	(93,115)
Vehicles under lease	(4,133)	(5,663)	-	(9,796)
Total accumulated depreciation	<u>(3,993,899)</u>	<u>(243,810)</u>	<u>-</u>	<u>(4,237,709)</u>
Total capital assets, being depreciated, net	<u>5,850,929</u>	<u>(140,571)</u>	<u>-</u>	<u>5,710,358</u>
Total business-type activities capital assets, net	<u>\$ 5,885,844</u>	<u>\$ (140,571)</u>	<u>\$ -</u>	<u>\$ 5,745,273</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental Activities	
General government	\$ 6,200
Public safety	42,530
Public works	<u>12,235</u>
Total governmental activities depreciation expense	<u>\$ 60,965</u>
Business-Type Activities	
Water and sewer	<u>\$ 243,810</u>

NOTE 6: LONG-TERM DEBT

Changes in outstanding debt during the year ended September 30, 2006 are as follows:

	Balance October 1, 2005	Additions	Principal Payments/ Reductions	Balance September 30, 2006	Due within One Year
Governmental Activities					
Note payable	\$ 105,681	\$ 161,191	\$ (23,250)	\$ 243,622	\$ 30,441
Capital leases payable	77,939	54,046	(44,951)	87,034	47,503
Compensated absences payable	34,360	-	(1,067)	33,293	1,620
Total governmental activities	<u>\$ 217,980</u>	<u>\$ 215,237</u>	<u>\$ (69,268)</u>	<u>\$ 363,949</u>	<u>\$ 79,564</u>
Business-type Activities					
Note payable	\$ 2,670,281	\$ -	\$ (201,567)	\$ 2,468,714	\$ 210,827
Bond payable	432,507	-	(34,095)	398,412	35,839
Capital leases payable	48,062	-	(20,783)	27,279	18,349
Compensated absences payable	2,999	-	(143)	2,856	2,856
Total business-type activities	<u>\$ 3,153,849</u>	<u>\$ -</u>	<u>\$ (256,588)</u>	<u>\$ 2,897,261</u>	<u>\$ 267,871</u>

(A) Notes Payable

At September 30, 2006 the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2006
Governmental Activities:					
State of Mississippi	1/17/1997	2/1/2012	4.00%	\$ 213,000	\$ 90,823
State of Mississippi	4/1/2006	3/1/2016	2.00%	<u>161,191</u>	<u>152,799</u>
Total governmental activities				<u>374,191</u>	<u>243,622</u>
Business-type Activities:					
State of Mississippi, State Revolving Fund Loan	8/15/1996	4/15/2016	4.00%	<u>4,151,089</u>	<u>2,468,714</u>
Total notes payable at year-end				<u>\$ 4,899,471</u>	<u>\$ 2,955,958</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

(A) Notes Payable (Continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2007	\$ 30,441	\$ 6,264	\$ 210,827	\$ 106,779	\$ 354,311
2008	31,376	5,329	270,512	97,094	404,311
2009	32,342	4,363	230,643	86,863	354,211
2010	33,341	3,364	241,238	76,368	354,311
2011	34,375	2,330	252,321	65,285	354,311
2012 - 2016	81,747	3,499	1,263,173	140,857	1,489,276
Total	<u>\$ 243,622</u>	<u>\$ 25,149</u>	<u>\$ 2,468,714</u>	<u>\$ 573,246</u>	<u>\$ 3,310,731</u>

(B) Bond Payable

At September 30, 2006 the City's outstanding revenue bond payable is described as follows:

	Date of Issue	Original Issue	Final Maturity Date	Rates	Balance September 30, 2006
Business-Type Activities:					
Revenue bond (acquired by GMAC Commercial Mortgage)	5/5/1981	\$ 883,000	9/30/2016	5.00%	<u>\$ 398,412</u>

The annual bonded debt service requirements to maturity for the revenue bond is as follows:

Year Ending September 30,	Business-Type Activities		Total Requirements
	Principal	Interest	
2007	\$ 35,839	\$ 19,349	\$ 55,188
2008	37,673	17,515	55,188
2009	39,601	15,587	55,188
2010	41,627	13,561	55,188
2011	43,756	11,432	55,188
2012-2016	199,916	22,198	222,114
Total	<u>\$ 398,412</u>	<u>\$ 99,642</u>	<u>\$ 498,054</u>

The City's Water and Sewer Revenue Bond dated May 5, 1981, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Operation and Maintenance Fund - Into which shall be deposited all revenues derived from water and sewer services to pay all expenses of the waterworks and sewer system.
- Water and Sewer System Bond Cushion Fund - Into which there shall be deposited \$325 per month until the funds and investments shall equal \$40,000.
- Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$75 per month until the funds and investments shall equal \$9,000.
- Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$50 per month until the funds and investments shall equal \$6,000.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

(B) Bond Payable (Continued)

These monies are not separate funds but are restricted accounts within the water and sewer fund.

At September 30, 2006 the balances in the restricted accounts required by the bond covenants are as follows:

	Required Balance	Balance 9/30/2006	(Under) Over Funded
Bond cushion fund	\$ 40,000	\$ 40,000	\$ -
Depreciation fund	9,000	9,000	-
Contingent fund	6,000	6,000	-
	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ -</u>

(C) Capital Leases Payable

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The general capital lease obligations outstanding as of September 30, 2006 are as follows:

	Date Issued	Effective Interest Rate	Original Amount	Outstanding Present Value
Governmental Activities:				
2004 Dodge Ram	2/10/2004	3.04%	\$ 15,113	\$ 2,182
2004 Massey Ferguson tractor	2/17/2004	2.80%	14,870	2,571
(2) 2004 Ford Crown Victorias	5/21/2004	2.79%	40,082	9,198
2005 Ford Crown Victoria	3/8/2005	3.03%	20,425	9,894
2005 GMC Sierra	1/16/2005	3.03%	12,129	5,188
2005 GMC Sierra	5/15/2005	3.29%	14,867	8,029
Kubota tractor	5/31/2006	3.88%	23,368	20,906
2006 Ford Crown Victoria	7/21/2006	3.88%	30,678	29,066
Total governmental activities			<u>171,532</u>	<u>87,034</u>
Business-type Activities:				
2004 Dodge Ram	2/10/2004	3.04%	15,113	2,182
2005 GMC Sierra	12/12/2004	3.03%	14,624	6,255
2005 International sewer truck	6/15/2005	3.29%	33,190	18,842
			<u>62,927</u>	<u>27,279</u>
Total capital leases at year-end			<u>\$ 234,459</u>	<u>\$ 114,313</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases Payable (Continued)

The following is an analysis of property leased under capital leases as of September 30, 2006:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Governmental Activities			
Vehicles	\$ 126,773	\$ (19,437)	\$ 107,336
Machinery and equipment	<u>38,238</u>	<u>(1,817)</u>	<u>36,421</u>
	<u>165,011</u>	<u>(21,254)</u>	<u>143,757</u>
Business-type Activities			
Vehicles	<u>62,927</u>	<u>(9,796)</u>	<u>53,131</u>
	<u>\$ 227,938</u>	<u>\$ (31,050)</u>	<u>\$ 196,888</u>

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2006:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 49,826	\$ 19,208
2008	26,228	9,032
2009	<u>14,551</u>	<u>-</u>
Total minimum lease payments	90,605	28,240
Less amount representing interest	<u>(3,571)</u>	<u>(961)</u>
Present value of minimum payments	<u>\$ 87,034</u>	<u>\$ 27,279</u>

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$1,851,609, of which approximately \$1,608,000 is available to the City for further borrowing.

NOTE 7: INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services.

(A) Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 7: INTERFUND TRANSACTIONS (Continued)

(A) Interfund Receivables and Payables (Continued)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund receivables and payables consisted of the following at September 30, 2006:

<u>Due From</u>	<u>Due To</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Governmental Activities:		
General	\$ -	\$ 252,643
Business-type Activities:		
Water and Sewer	<u>252,643</u>	<u>-</u>
Total	<u>\$ 252,643</u>	<u>\$ 252,643</u>

<u>Advances To</u>	<u>Advances From</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Governmental Activities:		
General	\$ -	\$ 90,719
Business-type Activities:		
Water and Sewer	<u>90,719</u>	<u>-</u>
Total	<u>\$ 90,719</u>	<u>\$ 90,719</u>

As further explained in Note 4, the City began construction on a new water well in 2004. Due to the critical need for this new well, the City started construction prior to obtaining financing. The Board authorized construction to begin and for the General Fund to pay for construction costs until financing could be obtained. In 2004, the General Fund paid \$232,148 on behalf of the Water and Sewer Fund for well construction. The funding was received subsequent to September 30, 2006. Accordingly, the Water and Sewer Fund will repay \$232,148 to the General Fund in fiscal year 2007.

Also, the City has currently assessed a \$1.50 per month surcharge on utility bills to repay other amounts owed by the Water and Sewer Fund to the General Fund. Based on the number of utility customers, approximately \$20,000 per year is collected by the surcharge and repaid to the General Fund. Accordingly, the appropriate amount of surcharge expected to be paid in 2007, \$20,495, is also included in due to general fund since it should also be repaid within twelve months.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 7: INTERFUND TRANSACTIONS (Continued)

(B) Interfund Transfers

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administrations of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. The following transfers were made between funds during the year ended September 30, 2006:

	Transfers In		Total Transfers Out
	Governmental Activities	Business-type Activities	
	General Fund	Water and Sewer Fund	
Transfers Out			
Governmental Activities:			
General	\$ -	\$ 53,300	\$ 53,300
Business-Type Activities:			
Utility	(53,300)	-	(53,300)
Total Due To	<u>\$ (53,300)</u>	<u>\$ 53,300</u>	<u>\$ -</u>

NOTE 8: RESTRICTED NET ASSETS

(A) Governmental Activities:

The City is required by Mississippi Code Section 71-5-359 to set aside funds in excess of 2% of the prior year's covered wages (i.e., the first \$6,000 of wages paid to an employee) to pay future unemployment compensation claims. Currently, the City has \$5,910 in its unemployment compensation fund, which is \$816 more than the \$5,094 required by the State Code. Additionally, the City receives cash from court judgments where the defendant is ordered to forfeit cash seized in the arrest. The use of these funds by the City is restricted to enhancing public safety efforts. At September 30, 2006, the City had \$38,562 in its forfeiture fund. Therefore, total restricted net assets was \$44,472 at September 30, 2006.

(B) Business-type Activities:

The City's bond covenants, as more fully explained at Note 6, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent restrictions of the water and sewer fund's net assets.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 8: RESTRICTED NET ASSETS (Continued)

The restricted portions are as follows:

Restricted Assets	
Customer deposits	\$ 50,901
Revenue bond cushion fund account	40,000
Revenue bond depreciation account	9,000
Revenue bond contingent account	<u>6,000</u>
Total restricted accounts	<u>105,901</u>
Liabilities Payable from Restricted Assets	
Customer deposits	<u>50,901</u>
Restricted net assets	<u><u>\$ 55,000</u></u>

NOTE 9: JOINT VENTURE

The Poplarville – Pearl River County Airport is a joint venture between the City and Pearl River County. The City and Pearl River County jointly lease the land and own the buildings of the Poplarville - Pearl River County Airport. The City provides \$3,300 each year to the Airport (the City also provides liability insurance and utilities) and the County provides \$5,000. Any potential future financial benefit or burden to the City resulting from the airport is not determinable at this time. The Poplarville-Pearl River County Airport does not issue financial statements at this time.

NOTE 10: EXCLUDED ENTITY

The Poplarville Public Library Branch of the Pearl River County Library System is excluded from the financial reporting entity. The City has no significant influence over the management, budget, or policies of the library. The City owns the Poplarville Public Library land and building which are recorded in the City's governmental capital assets as follows: Land, \$40,000; Building and improvements, \$250,530. The City also provided \$21,000 in support during the year ended September 30, 2006, and pays the liability insurance policy for the library. The Pearl River County Library System's financial information is reported independently.

NOTE 11: RETIREMENT PLANS

(A) Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan as described below:

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee 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 by 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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 11: RETIREMENT PLANS (Continued)

(A) Public Employees' Retirement System (Continued)

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary. In the year ended September 30, 2006, City employees contributed \$60,972. The City is required to contribute at an actuarially determined rate, currently 11.3% (10.75% prior to July 1, 2006) 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's contributions to PERS for the years ending September 30, 2006, 2005, and 2004, were \$92,037, \$87,293, and \$77,526, respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 12: COMMITMENTS AND CONTINGENCIES

(A) Litigation

The City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(B) Grants and Awards

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

(C) City Wastewater Treatment Facility

The City's Water and Sewer Fund operates a wastewater treatment facility that is regulated by the Environmental Protection Agency (EPA) and the Mississippi Department of Environmental Quality (DEQ). Changes in the EPA or DEQ laws and regulations could have a direct effect on the Water and Sewer Fund and the City. The possibility of additional liability related to changes in these laws and regulations exists. However, this liability cannot be determined at this time.

(D) Water Tank Maintenance Contract

The City entered into a contract with Tank Pro, Inc. in 2001 for the annual inspection, maintenance, and repair of the City's water tank. The City paid Tank Pro, Inc. \$6,485 in the year ended September 30, 2006. Annual payments are required by the City in the amount of \$6,558 through 2008, \$7,050 for 2009 through 2011, and a final payment of \$7,580 in 2012. The City has the option to cancel the agreement provided that they give Tank Pro, Inc. one year's advance notice.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

(E) Garbage Collection Contract

The City renewed its contract with Waste Management of Mississippi, Inc. in May 2005. The term of the contract runs from June 1, 2005 through May 31, 2008. Waste Management picks up and disposes of garbage collected from residential and light commercial businesses at a cost of \$10.82 per location prior to August 2006. In August 2006, the City entered into a fixed price contract with Waste Management of \$10,229 per month for the City's services. The City paid Waste Management \$120,066 for garbage collection for the year ended September 30, 2006.

NOTE 13: RISK MANAGEMENT

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

(A) Self-Insurance – Workers Compensation Fund

The City is one of approximately 250 members in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

(B) Self-Insurance – Liability Fund

The City is one of approximately 250 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

NOTE 14: SUBSEQUENT EVENTS

In November 2006, the City received proceeds from the U.S. Department of Agriculture Rural Development loan in the amount of \$185,185, payable over 35 years with monthly payments of \$870 and accruing interest at 4.375% per annum. This loan was used to reimburse the City for the construction of a new well. See Note 4.

In December 2006 a fire in the downtown area destroyed two retail businesses. The impact to the City's sales tax revenues could be significant but is unknown at this time.

In October 2006, the City received a final decree of annexation with respect to its "friendly" annexation of the Pearl River Community College campus.

In November 2006, a moratorium was placed by the State Health Department on the City's water and sewer system, thereby prohibiting any further connections until expansion of the system is completed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property	\$ 601,000	\$ 601,000	\$ 657,859	\$ 56,859
Sales	549,243	549,243	760,055	210,812
Licenses, permits, and franchise fees	155,800	155,800	168,679	12,879
Intergovernmental	21,100	21,100	190,178	169,078
Charges for services	121,000	121,000	131,420	10,420
Interest	21,000	21,000	60,302	39,302
Fines and forfeitures	75,000	75,000	101,067	26,067
Miscellaneous	47,570	47,570	77,670	30,100
Total revenues	<u>1,591,713</u>	<u>1,591,713</u>	<u>2,147,230</u>	<u>555,517</u>
EXPENDITURES				
Current:				
General government				
Personnel services	199,334	199,334	190,125	9,209
Supplies	15,100	15,642	22,089	(6,447)
Other services and charges	70,863	92,993	79,519	13,474
Capital outlay	670	5,239	1,229	4,010
Total general government	<u>285,967</u>	<u>313,208</u>	<u>292,962</u>	<u>20,246</u>
Court				
Personnel services	52,123	52,123	51,554	569
Supplies	1,200	1,200	911	289
Other services and charges	3,320	22,820	21,810	1,010
Capital outlay	800	800	-	800
Total court	<u>57,443</u>	<u>76,943</u>	<u>74,275</u>	<u>2,668</u>
Public safety				
Police				
Personnel services	462,749	462,749	464,803	(2,054)
Supplies	42,038	48,714	57,281	(8,567)
Other services and charges	42,960	72,206	45,711	26,495
Capital outlay	28,236	45,191	95,516	(50,325)
Fire				
Personnel services	162,913	162,913	158,962	3,951
Supplies	15,750	18,985	19,239	(254)
Other services and charges	30,465	60,737	31,025	29,712
Capital outlay	160,789	185,902	235,499	(49,597)
Total public safety	<u>945,900</u>	<u>1,057,397</u>	<u>1,108,036</u>	<u>(50,639)</u>
Highways and streets				
Personnel services	170,667	185,159	181,957	3,202
Supplies	37,750	43,147	39,191	3,956
Other services and charges	78,750	298,738	287,051	11,687
Capital outlay	36,576	44,386	25,214	19,172
Total highway and streets	<u>323,743</u>	<u>571,430</u>	<u>533,413</u>	<u>38,017</u>
Public works				
Other services and charges	115,760	120,070	120,066	4
Culture and recreation				
Other services and charges	29,000	53,000	49,160	3,840

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES, Continued				
Miscellaneous				
Cemetery				
Supplies	-	800	20,801	(20,001)
Other services and charges	17,500	20,062	67	19,995
Airport				
Other services and charges	4,910	4,910	4,460	450
Total miscellaneous	22,410	25,772	25,328	444
Debt service	47,290	47,290	47,290	-
Total expenditures	1,827,513	2,265,110	2,250,530	14,580
Excess (deficiency) of revenues over expenditures	(235,800)	(673,397)	(103,300)	570,097
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	148,043	148,043
Debt proceeds	216,000	216,000	215,237	(763)
Sale of assets	-	-	810	810
Transfers in	-	-	53,300	53,300
Repayment of interfund loan	19,800	19,800	20,774	974
Total other financing sources (uses)	235,800	235,800	438,164	202,364
Net change in fund balances	-	(437,597)	334,864	\$ 772,461
Fund balances-beginning, budget basis	735,881	794,634	794,634	
Fund balances-ending, budget basis	\$ 735,881	\$ 357,037	1,129,498	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year.			487,918	
Change in taxes receivable			(7,802)	
Change in accounts receivable			(154)	
Change in franchise fee receivable			8,805	
Change in interest receivable			(2,842)	
Change in sales tax receivable			31,810	
Change in other receivable			2,560	
Change in due from other governments			179,657	
Change in interfund loan			(20,774)	
Change in prepaid expenses			810	
Change in accrued expenses			(107)	
Change in compensated absences			4,518	
Fund balances-ending, GAAP basis			\$ 1,813,897	

See note to budgetary comparison schedule.

CITY OF POPLARVILLE, MISSISSIPPI
NOTE TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE A: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year.

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

The Budgetary Comparison Schedule presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the net change in fund balance for the year ended September 30, 2006 is presented at the end of the Budgetary Comparison Schedule.

SUPPLEMENTARY INFORMATION

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Assessed Value	Tax
ADJUSTED ASSESSED VALUATION		
Realty	\$ 7,175,679	\$ 387,487
Personal - other than auto	1,429,584	77,198
Public utilities	1,904,273	102,831
Personal - auto and mobile home	1,834,524	99,064
Total City of Poplarville at 54 mills	12,344,060	666,580
Less: Homestead exemption allowed	1,265,278	68,325
Total City of Poplarville	\$ 11,078,782	598,255
Add: Actual homestead reimbursement		45,042
County road taxes		24,002
Prior year tax collections		21,689
Penalties and interest on delinquent taxes		25,585
Adjustments to roll		2,127
In-lieu of taxes		6,286
Deduct: County fees withheld		(5,204)
Adjustments to roll		(13,217)
Unpaid realty, personal and utility taxes		(4,226)
Total to be accounted for		\$ 700,339

COLLECTIONS

	Taxes	Homestead Reimbursement	Total
Collections allocated to fund			
General fund	\$ 608,544	\$ 41,512	\$ 650,056
Debt service	42,008	3,531	45,539
	\$ 650,552	\$ 45,043	695,595
		Unaccounted for	4,744
			\$ 700,339

See independent auditors' report.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2006

<u>Official's Title</u>	<u>Name</u>	<u>Surety Company</u>	<u>Coverage Amount</u>
City Clerk and Tax Collector	Jody Stuart	Travelers'	\$ 85,000
Chief of Police	Charles Fazende	Travelers'	50,000
Blanket Bond for Police Officers		EMC Insurance	10,000
Blanket Bond for Deputy Clerks and Court Clerk		CNA Surety	20,000
Blanket Bond for Alderpersons		Travelers'	50,000

See independent auditors' report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

June 22, 2007

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated June 22, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Poplarville, 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 to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition as described below. 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 Poplarville, Mississippi's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable 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 caused by errors or fraud 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 do not believe that the reportable condition described below is a material weakness.

Court Fines

Finding:

The City did not produce an accurate report detailing uncollected court fine balances at September 30, 2006. Without an accurate subsidiary ledger showing outstanding court fines, the City is unable to record a receivable and related allowance. Also, without accurate receivable reports, the City cannot easily identify overdue fines and may not be pursuing collection of those fines.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
June 22, 2007

We were informed, in the prior year, that the inaccurate reports produced were the result of software problems and limitations. The City engaged a court consultant during the 2006 fiscal year to review all court operations, including software problems, and to provide recommendations for improvement. We noted that the consultant provided a comprehensive report, dated May 16, 2006, that concludes that there is a high probability of errors due to significant deficiencies in the accounting and reporting of the type and number of cases heard, dispositions ordered, and monies assessed. In addition, testing performed during our audit reflected delays in reporting money collected, as well as two instances within a four month period when we could not verify that money collected was turned in to City Hall. The combined total of the fees unaccounted for is \$396.

Recommendation:

We recommend that the City work closely with the consultant to alleviate the current reporting problems and also give consideration to any proposed changes in policies and procedures.

Views of Responsible Officials & Planned Corrective Actions:

The City has provided additional training for the Court Clerk as a result of the management consultant's report. Additional controls and reporting requirements will be implemented and monitored by the City to ensure proper accountability for collections through the court department.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, Mayor, Board of Alderpersons and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

June 22, 2007

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi

Compliance

We have audited the compliance of the City of Poplarville, 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 its major federal program for the year ended September 30, 2006. The City of Poplarville, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Poplarville, Mississippi's management. Our responsibility is to express an opinion on the City of Poplarville, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 Poplarville, 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 of the City of Poplarville, Mississippi's compliance with those requirements.

In our opinion, the City of Poplarville, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2, and 2006-3.

Internal Control Over Compliance

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

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
June 22, 2007

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 reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 the board of directors, management, others within the City 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.


ALEXANDER, VAN LOOM, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

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

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency:			
Disaster Public Assistance Grant	97.036	PW14	\$ 34,988
		PW941	71,066
		PW1070	920
		PW2779	59,982
		PW4327	2,741
		PW4432	736
		PW4866	24,306
		PW5916	119,560
		PW5975	920
		PW7983	10,060
		PW8143	32,866
		PW8211	2,399
		N/A	<u>127,452</u>
			<u>487,996</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Department of Public Safety:			
Public Safety Grant	97.067	05HS304	<u>11,331</u>
<i>Total U.S. Department of Homeland Security</i>			<u>499,327</u>
U.S. Department of Justice			
Passed through the Mississippi Department of Public Safety:			
Public Safety Hurricane Relief	16.999	2006-DH-BX-0438	53,973
Local Law Enforcement Block Grant	16.592	DJBX0365	<u>2,260</u>
<i>Total U.S. Department of Justice</i>			<u>56,233</u>
Total Expenditures of Federal Awards			<u><u>\$ 555,560</u></u>

See accompanying notes to the schedule.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is included in the federal grant activity of the City of Poplarville, Mississippi (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2- NONCASH AWARDS

The City received four trailers during the year ended September 30, 2006, from the U.S. Department of Homeland Security for a total of \$127,452. Such award is included in the Schedule of Expenditures of Federal Awards.

**CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unqualified
Internal Control over financial reporting:	
Material Weaknesses identified?	No
Reportable Conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Reportable Conditions identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	Yes

Programs tested as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Section III – Federal Award Findings and Questioned Costs

2006-1 Finding

Program: *U. S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036*
PW 5916

Criteria or Specific Requirement

Per OMB Circular A-102.1.d and OMB Circular A-110.44(d) non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred.

Condition

The grantee did not obtain certification of suspension or debarment as part of the contract prior to contract award.

Questioned Costs

There are no questioned costs associated with the finding since subsequent verification on the Excluded Parties List System website, revealed that the contractor was not suspended or debarred on the date of the contract award.

Context

During the review of the contractor receiving more than \$100,000 related to federal expenditures, it was noted that the contractor did not provide certification of suspension or debarment as part of the contract and that the City did not verify that the contractor was not suspended or debarred using the Excluded Parties List System.

Effect

Non-compliance with suspension and debarment requirements could result in future questioned costs and/or loss of funding.

Cause

This is the first time that the City has expended federal awards in excess of \$500,000 requiring an audit of major federal programs in accordance with the requirements of OMB Circular A-133. Due to the City's unfamiliarity with these requirements, they were unaware of the requirement to obtain certification of suspension or debarment as part of the contract prior to awarding the contract.

Recommendation

We recommend that the City develop and institute procedures to ensure that certification of suspension or debarment is obtained before contracts are awarded.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this finding and has provided our response in the Corrective Action Plan.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Section III – Federal Award Findings and Questioned Costs (Continued)

2006-2 Finding

Program: *U.S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036. PW 941, PW 2779, PW 4866*

Criteria or Specific Requirement

The grant requires that governmental subrecipients of federal grant awards passed through the State use the same State policies and procedures used for procurement from non-Federal funds. Under state purchasing laws, if a governing authority determines that an emergency exists in regard to the purchase of commodities or repair contracts, so that the delay incident to giving opportunity for competitive bidding would be detrimental to the interest of the governing authority, then competitive bidding is not a requirement. However, at the Board meeting following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and approval noted in the minutes.

Condition

Although the City did make a general declaration of emergency in the board minutes and obtained two quotes when possible, specific documentation of the emergency purchase was not documented in the minutes.

Questioned Costs

There are no questioned costs associated with the finding. On June 13, 2007, the Board ratified the minutes to document the nature of the emergency, documentation of the contract, the price of the contract and their approval.

Context

During the review of costs associated with project worksheet (PW) 941, PW 2779, and PW 4866, we determined that specific documentation of the emergency purchase was not documented in the minutes directly following the emergency purchase.

Effect

Non-compliance with procurement requirements could result in future questioned costs and/or loss of funding

Cause

City management felt that the general declaration of the state of emergency and the board's subsequent approval of payment to the contractor satisfied the procurement process.

Recommendation

We recommend that the grantee develop and institute procedures to ensure that emergency purchases are properly documented in the minutes.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this finding and has provided our response in the Corrective Action Plan.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Section III -- Federal Award Findings and Questioned Costs (Continued)

2006-3 Finding

Program: U.S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036. PW 2779, PW 941, PW 7983

Criteria or Specific Requirement

Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency.

Condition

The City deposited advances received on PW 2779, PW 941, and PW 7983 in their general city depository which is an interest bearing account. The City has not submitted interest earnings on the advances to the Federal awarding agency.

Questioned Costs

There are no questioned costs associated with the finding.

Context

During the review of PW 2779, PW 941, and PW 7983, we determined that advanced funding was received and deposited into an interest bearing account. The City's depository earned an approximate interest rate of 5% per annum which, when applied to total advances received, would result in total interest earnings of less than \$5,000. Actual interest earned would be even less since funds advanced were held for less than a year.

Effect

The City has earned more than the \$100 annual allowance for administrative expenses permitted by the grant and has not submitted the overage to the federal agency.

Cause

City management was unaware of the requirement to deposit advanced funds in a non-interest bearing account or to remit interest earned to the Federal agency.

Recommendation

We recommend that the City determine the actual interest earned on the advanced grant funds and make arrangements to submit the earnings in excess of \$100 to the federal agency.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this response and has provided our response in the Corrective Action Plan.

CORRECTIVE ACTION PLAN

City of Poplarville
200 Highway 26 East
Poplarville, MS 39470
601-795-8161

Corrective Action Plan
Single Audit
Fiscal Year Ending September 30, 2006

Finding 2006-1

The City was unfamiliar with the requirements related to suspension and debarment. Accordingly, the City will ensure that all future contracts will comply with OMB Circular A-102.1.d and OMB Circular A-110.44(d).

Finding 2006-2

The City believed the general declaration of the state of emergency eliminated the need for individual emergency purchase approval. State purchasing laws related to emergency purchases will be followed regardless of the adoption of a general declaration by the Board of Mayor and Aldermen.

Finding 2006-3

The City has contacted it's FEMA representative and is in the process of correcting this situation. Future federal funding will be placed in a non-interest bearing account.

REPORT ON STATE COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

June 22, 2007

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi

We have audited the financial statements of the City of Poplarville as of and for the year ended September 30, 2006, and have issued our report thereon dated June 22, 2007. We have 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*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi