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TOWN OF COLDWATER, MISSISSIPPI

AUDIT REPORT
September 30, 2007

TOWN OF COLDWATER, MISSISSIPPI

ANNUAL FINANCIAL REPORT
Year Ended September 30, 2007

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To the Town of Coldwater
Coldwater, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Coldwater, MS, as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Coldwater, MS' management. Our responsibility is to express opinions on these financial statements based on our audit.

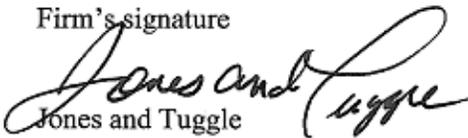
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the Town of Coldwater, MS, as of September 30, 2007, 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 25 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coldwater, MS' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Firm's signature


Jones and Tuggle

February 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Town of Coldwater financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performances.

FINANCIAL HIGHLIGHTS

- . Total net assets decreased by \$257,204
- . Total General Revenues were \$855,563
- . Total Business-type revenues (sale of water and sewer) were \$319,155
- . Expenses for the Town were \$1,399,511

OVERVIEW OF FINANCIAL STATEMENT

These statements consist of two types of financial statements:

Government-wide financial statements - These financial statements are designed to provide the reader with an overview of the Town's finances, similar to what you'd find in a private business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as revenues are received or expenditures are made; therefore, some of the expenses reported might reflect payments we've made during this fiscal year related to projects or activities from a prior fiscal year. Likewise some of the revenues reported may reflect funding we've secured for activities or projects that we're contemplating for the future.

Governmental Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over monies that have been earmarked for specific activities of projects. These financial statements do not include any of the "business" type funds, which are our water and sewer. The Town uses funds accounting to ensure and demonstrate compliance with finance-related legal requirements. We currently have the General Fund and the Cemetery Fund (Component Unit).

Net assets may serve over time as an indicator of the Town's financial position. For the Town of Coldwater net assets exceed liabilities by

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued (2)

GOVERNMENT WIDE FINANCIAL ANALYSIS

The largest portion of the Town's net assets can be found in fixes assets and investments less any encumbrance. The Town uses these capital assets to provide services; therefore, these assets may not be available for future spending.

Below is a summary and a prior year comparison of the Town's net assets:

	FYE 09/30/2006	FYE 09/30/2007
Current assets	\$4,429,508	\$4,076,456
Capital assets, net	2,470,559	2,387,027
Total Assets	6,900,067	6,463,483
Current liabilities	243,307	83,424
Long term debt outstanding	1,938,107	1,820,197
Total Liabilities	2,181,414	1,903,621
Net assets		
Invested in capital assets, net	1,322,498	1,516,830
Of related debt		
Restricted	-	-
Unrestricted	3,494,568	3,043,032
Total Net assets	4,817,066	4,559,862
Revenues		
Taxes & Others	724,884	805,185
Charges for Service	299,697	264,012
Interest Income	33,699	119,239
Total Revenues	1,058,280	1,188,436
Expenses:		
Primary Government	750,682	943,996
Business-type (Water fund)	274,972	442,314
Component Unit (Cemetery)	4,133	13,201
Total Expenses	1,029,787	1,339,511

The Town of Coldwater had a good financial year for the period ending September 30, 2007. A town's function is not to produce a profit, but we must maintain a level of revenues in excess of expenditures in order to maintain the overall financial health and viability of the Town. During this fiscal year we still rely on our citizens shopping first in the Town of Coldwater because a bulk of our revenue comes from sales taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued (3)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our millage rate is 30.65 mills which have not increased in the last four years. We anticipate significant residential growth in our community in the next few years due to a housing grant which will build new homes; therefore, increasing our tax base.

Changes in asset and liabilities can be attributed for the most part to a bond proceeds in the amount of one million dollars that was received in May 2006. These funds will be utilized for items such as tornado siren, sewer machine, backhoe, playgrounds, gazebos, new police station, land, youth building and other major repairs. Some of the aforementioned have already been put in to action.

Water rates and garbage rates were reviewed in the fall of 2007 and it was determined that a small increase was necessary due to completion of a new well and electrical system at the water plant.

As with other municipalities and county government, we endeavor to provide reliable health and workmen's compensation insurance coverage for our employees as well as a solid property and casualty insurance program to protect the assets of the Town. During FYE 2007 we've experienced modest premiums increases for all of these coverage items; however, we've been able to maintain solid and affordable coverage.

BUDGETARY HIGHLIGHTS

The Town's fiscal operating budget for the General Fund, Utility Fund and the Cemetery Fund are presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The Town endeavors to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, it is necessary for the Town to amend its budget from time to time during the fiscal year. For the fiscal year ending September 30, 2007, the Town of Coldwater did not have any revisions that were required.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

NONE

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued (4)

CONTACT:

If you have any questions concerning this report, please contact the Mayor's Office, Town of Coldwater, 444 Court Street, P. O. Box 352, Coldwater, MS 38618. Telephone 662-622-7241.

BASIS FINANCIAL STATEMENTS

TOWN OF COLDWATER, MISSISSIPPI

GENERAL GOVERNMENT

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<u>ASSETS</u>				
<u>CASH AND INVESTMENTS</u>				
Cash	\$ 1,868,358	\$ 229,025	\$ 2,097,383	\$ 63,530
Investments (Cash Equivalents)	1,666,286	129,936	1,796,222	27,801
<u>RECEIVABLES (Net of Allowance for uncollectible)</u>				
Utility Bills	-	45,048	45,048	-
Taxes	27,531	-	27,531	-
State of Mississippi	-	-	-	-
Accrued Interest	-	1,539	1,539	531
Prepaid Expenses	-	1,389	1,389	-
Due from other funds	-	-	-	360
Fixed Assets (net of accumulated depreciation)	1,146,891	1,240,136	2,387,027	-
TOTAL ASSETS	<u>\$ 4,709,066</u>	<u>\$ 1,647,073</u>	<u>\$ 6,356,139</u>	<u>92,222</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 48,107	\$ 14,439	\$ 62,545	\$ 512
Current Portion of Long-Term Debt (Note 3)	-	-	-	-
Accrued Interest Payable	-	5,088	5,088	-
Due To Other Funds	9,119	-	9,119	-
Payables From Restricted Assets:				
Customer Deposits	-	6,160	6,160	-
General Obligation Bond	950,000	-	950,000	-
General Obligation Warrants Payable (Note 3)	68,549	801,648	870,197	-
Total Liabilities	<u>1,075,775</u>	<u>827,334</u>	<u>1,903,109</u>	<u>512</u>
<u>Fund Equity:</u>				
Contributed Capital	-	349,918	349,918	-
Investment In General Fixed Assets	879,345	-	879,345	-
Retained Earnings:				
Unreserved	-	469,821	469,821	-
Fund Balance:				
Reserved For Prepaid Expenses	-	-	-	-
Unreserved	2,753,946	-	2,753,946	91,710
Total Fund Equity	<u>3,633,291</u>	<u>819,739</u>	<u>4,453,030</u>	<u>91,710</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,709,066</u>	<u>\$ 1,647,073</u>	<u>\$ 6,356,139</u>	<u>\$ 92,222</u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental Activities	Primary Government		Component Units
					Business-type Activities	Total	
Primary Government							
General Government	\$459,793	-	-	(\$459,793)	-	(\$459,793)	-
Public Safety	247,921	-	-	(247,921)	-	(247,921)	-
Public Works	155,421	-	-	(155,421)	-	(155,421)	-
Other Financing Sources	54,800	-	-	(54,800)	-	(54,800)	-
Culture and Recreation	26,061	-	-	(26,061)	-	(26,061)	-
Total governmental activities	943,996	-	-	(943,996)	-	(943,996)	-
Business-type Activities							
Water Fund	442,314	-	34,216	-	(144,086)	(144,086)	-
Total Primary Government	1,386,310	-	34,216	(943,996)	(144,086)	(1,088,082)	-
Component Units							
Cemetery Fund	13,201	-	-	-	-	-	860
Total Component Units	13,201	-	-	-	-	-	860
General revenue:							
Taxes	\$ 97,542			\$ 97,542		\$ 97,542	\$ -
License and Permits	46,207			46,207		46,207	-
Intergovernmental	438,445			54,800		493,245	-
Charges for Services	89,495			-		89,495	-
Fines and Forfeits	48,634			-		48,634	-
Interest Income	119,239			-		119,239	-
Miscellaneous	16,001			-		16,001	-
Total General Revenues	\$ 855,563			\$ 54,800		\$ 910,363	\$ -
Change in Net Assets	(88,433)			(89,286)		(177,719)	860
Prior Period Adjustment	62,151			(62,374)		(223)	(7,563)
Net Assets at Beginning of Year	3,659,573			971,399		4,630,972	98,413
Net Assets at End of Year	\$ 3,633,291			\$ 819,739		\$ 4,453,030	\$ 91,710

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

BALANCE SHEET- GOVERNMENTAL FUNDS

For the Year Ended September 30, 2007

	General Fund	Fire Department Fund	Park Fund	Street Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>					
Cash	\$3,010,225	\$ 43,669	\$ 166,644	\$ 314,106	\$3,534,644
Property Taxes Receivable	10,858	-	-	-	10,858
Sales Tax Receivable	16,673	-	-	-	16,673
Total Assets	<u>\$3,037,756</u>	<u>\$ 43,669</u>	<u>\$ 166,644</u>	<u>\$ 314,106</u>	<u>\$3,562,175</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 48,107	\$ -	\$ -	\$ -	\$ 48,107
Due To Other Funds	9,119	-	-	-	9,119
Total Liabilities	57,226	-	-	-	57,226
Fund Balance:					
Unreserved	2,977,530	46,669	166,644	314,106	3,504,949
Total Liability and Fund Balance	<u>\$3,034,756</u>	<u>\$ 46,669</u>	<u>\$ 166,644</u>	<u>\$ 314,106</u>	<u>\$3,562,175</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2007

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds **\$3,504,949**

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

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

Land	89,486	
Building and improvements	954,653	
Equipment	428,852	
Vehicles	345,114	
Infrastructure	427,893	
Accumulated depreciation	<u>(1,099,107)</u>	1,146,891

Some liabilities are not due and payable in the current period and therefore
are not reported in the funds. Those liabilities consist of:

General obligation and revenue bonds	<u>(1,018,549)</u>
--------------------------------------	--------------------

Net Assets of Governmental Activities **\$3,633,291**

TOWN OF COLDWATER, MISSISSIPPI

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

For the Year Ended September 30, 2007

	General Fund	Fire Department Fund	Park Fund	Street Fund	
REVENUES:					
Taxes	\$ 97,542	\$ 9,542	\$ 14,886	\$ 125,388	\$ 247,358
License and Permits	46,207	-	-	-	46,207
Charges for Services	89,495	-	-	-	89,495
Fines and Forfeits	48,634	-	-	-	48,634
Interest Income	119,239	-	-	-	119,239
Intergovernmental	288,629	-	-	-	288,629
Miscellaneous	16,001	-	-	-	16,001
Total Revenues	705,746	9,542	14,886	125,388	855,563
EXPENDITURES:					
Personnel	241,756	-	-	50,310	292,066
Supplies	8,507	1,202	-	7,619	17,328
Other Services and Charges	470,694	9,001	2,615	97,492	579,802
Capital Outlay	54,800	-	-	-	54,800
Total Expenditures	775,757	10,203	2,615	155,421	943,996
Excess Of Revenues Over (Under) Expenditures	(70,011)	(661)	12,271	(30,033)	(88,433)
FUND BALANCE - BEGINNING OF YEAR	2,985,390	47,330	154,373	344,139	3,531,232
Prior Period Adjustment	62,151	-	-	-	62,151
FUND BALANCE - END OF YEAR	\$ 2,977,530	\$ 46,669	\$ 166,644	\$ 314,106	\$ 3,504,949

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

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

For the Year Ended September 30, 2007

Net Change in Fund Balance - Total Governmental Funds	\$ (88,433)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$130,636) exceeded depreciation (\$8,196) in the current period.	122,440
Debts proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(122,440)
Change in Net Assets of Governmental Activities	<u>\$ (88,433)</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**STATEMENT OF NET ASSETS- PROPRIETARY FUND
For the Year Ended September 30, 2007**

ASSETS

Current Assets

Cash	\$ 229,025
Investments	129,936
Accounts Receivable	45,048
Accrued Interest Receivable	1,539
Prepaid Expenses	1,389

Total Current Assets 406,937

Fixed Assets

Property, Plant and Equipment	2,280,548
Less: Accumulated Depreciation	(1,040,412)

Net Fixed Assets 1,240,136

TOTAL ASSETS \$ 1,647,073

LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS

Current Liabilities

Accounts Payable	\$ 14,439
Current Portion of Long-Term Debt (Note 3)	59,650
Accrued Interest Payable	5,088
Due To Other Funds	-

Total Current Liabilities 79,177

Long-Term Liabilities

Note Payable (Note 3)	741,998
Customer Deposits	6,160

Total Long-Term Liabilities 748,158

Total Liabilities 827,334

Contributed Capital and Retained Earnings

Contributed Capital	349,918
Retained Earnings	469,821

Total Contributed Capital Retained Earnings 819,739

**TOTAL LIABILITIES, CONTRIBUTED CAPITAL
AND RETAINED EARNINGS** \$ 1,647,073

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**STATEMENT REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS- PROPRIETARY FUND**

For The Year Ended September 30, 2007

Operating Revenues:	
Meter Sales	\$ 149,315
Sewer Charges	92,349
Transfer	54,800
Late Charges and Connection Fees	<u>17,843</u>
Total Operating Revenues	314,307
Operating Expenses:	
Personnel Costs	84,317
Materials and Supplies	15,034
Professional Services	19,424
Repair and Maintenance	145,737
Other Expenses	51,389
Depreciation Expense	<u>101,381</u>
Total Operating Expenses	<u>417,282</u>
Net Operating Income	(102,975)
Non-Operating Revenues (Expenses)	
CDBG Grant	34,216
Interest Income	4,505
Interest Expense	<u>(25,032)</u>
Total Nonoperation Revenues (Expenses)	<u>13,689</u>
Net Income	(89,286)
Prior Period Adjustment	(62,374)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>971,398</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 819,738</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended September 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income	\$ (102,975)
Prior period adjustment	(62,373)
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation	101,381
Changes In Assets and Liabilities:	
Increase in accounts receivable	(7,007)
Decrease in accounts payable	(109,918)
Decrease in customers deposits	(1,878)
Increase in due to other funds	58,162
Net Cash Provided By Operating Activities	<u>(124,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
CDBG Grant	34,216
Purchase of fixed assets	(34,216)
Interest Expense	(25,032)
Interest On Investments	4,505
Net Cash Provided By Investing Activities	<u>(20,527)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment Of Long-Term Debt and Interest	<u>(62,501)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(62,501)</u>
Net Change In Cash and Cash Equivalents	(207,636)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS - BEGINNING OF YEAR	<u>566,597</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 358,961</u></u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

STATEMENT OF NET ASSETS- COMPONENT UNIT

September 30, 2007

ASSETS

Cash	\$ 63,530
Investments	27,801
Accrued Interest Receivable	531
Due From Other Funds	<u>15,482</u>
TOTAL ASSETS	<u>\$ 107,344</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts Payable	<u>\$ 512</u>
Total Liabilities	512
Fund Balance:	
Unreserved	<u>106,832</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 107,344</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**STATEMENT OF ACTIVITIES- COMPONENT UNIT
September 30, 2007**

Revenues:

Lot Sales	\$ 9,000
Interest Income	989
Donations	3,712
Dirt Removal Fee	<u>360</u>

Total Revenues 14,061

Expenditures:

Supplies	-
Other Services and Charges	<u>13,201</u>

Total Expenditures 13,201

Excess of Revenues Over (Under)

Expenditures 860

FUND BALANCE - BEGINNING OF YEAR	98,413
PRIOR PERIOD ADJUSTMENT	<u>7,559</u>
FUND BALANCE - END OF YEAR	<u>\$ 106,832</u>

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

Note 1 - Summary of Significant Accounting Policies

The Town of Coldwater operates under an alderman—mayor form of government. The accounting policies of the Town of Coldwater conform to generally accepted accounting principles as applicable to governments except as discussed in Note 7. The following is a summary of the more significant policies:

- A. Reporting Entity - The financial statements of the Town consist of all the funds of the Town.
- B. Fund Accounting - The accounts of the Town are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.
- C. Fixed Assets and Long Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. All Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

All assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Fixed assets used in proprietary funds (water and sewer) are accounted for in the fund itself. Depreciation has been provided on these assets over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Concrete Bridge	50 years
Building	40 years
Distribution Systems	25 years
Improvements	20 years
Heavy Equipment	10 years
Other Equipment	5 years
Vehicles	5 years

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- D. Long-term liabilities of the Governmental and Proprietary Funds are accounted for in the funds themselves.

Additional information concerning fixed assets and long—term liabilities are provided in Notes 2 and 3.

- E. Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

All governmental funds and expendable trust funds are accounted for using modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures are generally recognized under the regular accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

- F. Total Columns - Total columns on the financial statements are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

- G. Bank Deposits and Investments - Bank deposits and investments constituting short term certificates of deposit are entirely insured or collateralized with securities held by the bank or by the bank's agent in the bank's name as of September 30, 2007 and during the year then ended.

Investments are stated at cost - a schedule of investment is included as part of the supplementary information of this report.

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- H. Budget - Governmental fund receipts are budgeted on the cash basis. Expenditures are budgeted on the modified cash basis of accounting. The budget for all proprietary type funds is adopted on the accrual basis of accounting. This is consistent with the applicable laws of the State of Mississippi for municipalities.

Prior to the August board meeting, the Town Clerk submits to the Mayor and Board a proposed operating budget for the fiscal year commencing the following October 1. Public hearings are conducted at the Town Hall for citizens of the Town to make comments on the proposed revenue sharing expenditures. The budget is formally adopted at the September board meeting. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

- I. Statement of Cash Flows - For purposes of the Statement of Cash Flows, cash equivalents are all short term investments (including restricted assets) that are highly liquid, readily convertible to known amounts of cash, and have a maturity date of no longer than three months when purchased
- J. Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The taxes are levied as of January 1 and are due on or before February 1.

The millage rate for the year was 30.65 mills, allocated as follows:

General Fund	16.00 mills
Parks Fund	2.00 mills
Fire Department Fund	.25 mills
Street Repair Fund	<u>12.40 mills</u>
TOTAL	<u>30.65 mills</u>

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007
(Continued)

Note 3 - Fixed Assets

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2006	Additions	Deletions	Balance 9/30/2007
Land	\$ 9,900	\$ 79,586	\$ -	\$ 89,486
Building	206,009	-	-	206,009
Equipment	393,601	35,251	-	428,852
Vehicles	329,314	15,800	-	345,114
Home Project	-	-	-	-
Bridge	427,893	-	-	427,893
Improvements	748,644	-	-	748,644
	2,115,361	130,637	-	2,245,998
Less accumulated depreciation for				
Building	76,475	5,150	-	81,625
Improvements	398,150	37,433	-	435,583
Equipment	263,466	26,839	-	290,305
Vehicles	136,992	69,023	-	206,015
Bridge	77,021	8,558	-	85,579
	952,104	147,003	-	1,099,107
Governmental activities capital assets, net	\$1,163,257	\$ (16,366)	\$ -	\$1,146,891
Business-type activities:				
Land	\$ 1,790.00	\$ -	\$ -	\$ 1,790
Water Distribution System	1,938,544	-	-	1,938,544
Equipment	81,746	-	-	81,746
Well	179,312	34,216	-	213,528
Sewer Machine	35,324	-	-	35,324
Vehicles	9,616	-	-	9,616
Total capital assets	2,246,332	34,216	-	2,280,548
Less accumulated depreciation for:				
Water Distribution system	849,731	99,319	-	949,050
Equipment	79,683	2,063	-	81,746
Vehicles	9,616	-	-	9,616
Total accumulated depreciation	939,030	101,382	-	1,040,412
Business-type activities capital assets, net	\$1,307,302	\$ (67,166)	\$ -	\$1,240,136

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007
(Continued)

Note 4 - Changes in Long-Term Debt

Water and Sewer System:

Note Payable to the Mississippi Department of Economic and Community Development to finance improvements to the Town's water system. The note is payable in semi-annual installments of \$ 12,516.54 on January and July 1 each year through July 1, 2013 at 3.7% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2007:

Note payable at October 1, 2006	\$121,896
Note payable at September 30, 2007	\$ 101,240

The annual requirement to amortize the note outstanding as of September 30, 2007 including interest payments are as follows:
September 30,

2008	\$	19,181	
2009		19,897	
2010		20,640	
2011		21,411	
2012		20,111	
Thereafter		-	
Total		\$ 101,240	

Note payable to the Mississippi Department of Environmental Quality to finance improvements to the Town's sewer system. The note is payable in monthly installments of \$4,566.69 at 3 % interest per annum. The annual requirements to amortize the note outstanding as of September 30, 2007 are as follows:

Note payable at October 1, 2006	\$ 634,882
Note payable at September 30, 2007	\$ 598,630

2008	\$	37,352	
2009		38,488	
2010		39,659	
2011		40,865	
2012		40,865	
Thereafter		401,401	
Total		\$ 598,630	

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007
(Continued)

Note 4 - Changes in Long-Term Debt (continued)

Note Payable to the Mississippi Department of Economic and Community Development to finance the improvement to the sewer system lagoon. The note is payable in monthly installments of \$641.66 through February 1, 2014 at 2% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2007:

Note payable at October 1, 2006	\$ 107,053
Note payable at September 30, 2007	\$ 101,778

The annual requirement to amortize all notes outstanding as of September 30, 2007 including interest payments are as follows:
September 30,

2008	\$ 5,008
2009	5,109
2010	5,212
2011	5,317
2012	5,317
Thereafter	75,815
Total	<u>\$ 101,778</u>

General Fund:

General Fund Note Payable to the Mississippi Department of Economic and Community Development to finance the construction of a new bridge. The note is payable in monthly installments of \$1056.97 through February 1, 2014 at 4% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2007:

Note payable at October 1, 2006	\$ 78,987
Note payable at September 30, 2007	\$ 68,549

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007
(Continued)

Note 4 - Changes in Long-Term Debt (continued)

The annual requirement to amortize all notes outstanding as of September 30, 2007 including interest payments are as follows:
September 30,

2008	\$	8,583
2009		8,933
2010		9,296
2011		9,675
2012		9,675
Thereafter		22,387
Total	\$	<u>68,549</u>

Note 5 - Bond Payable

On March 1, 2006, the Town entered into a fifteen (15) year general obligation bond in the amount of \$1,000,000. The bonds are secured by the revenue of the Town.

The annual requirement to amortize the bonds is as follow:

2008	\$	50,000
2009		55,000
2010		55,000
2011		60,000
2012		60,000
Thereafter		670,000
Total	\$	<u>950,000</u>

Note 6 - Defined Pension Plan

Plan Description - The Town of Coldwater contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and maybe 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007
(Continued)

Note 6 - Defined Pension Plan (continued)

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the Town of Coldwater is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Coldwater's contributions to PERS for the years ending September 30, 2007 and 2005 were and respectively, equal to the required contribution for each year.

Note 7 – Prior Period Adjustment

This adjustment was necessary to write-off prior year do to and due from that the client stated will not be repaid by the other funds. This adjustment resulted in a \$62,151 increase in the general fund balance, a \$62,374 decrease in the proprietary fund balance and a \$7,561 decrease in fiduciary fund balance.

TOWN OF COLDWATER, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COLDWATER, MISSISSIPPI

**GENERAL FUND
BUDGETARY COMPARISON
September 30, 2007**

	Budgeted Amount		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes	209,840	\$ 209,840	\$ 247,358	\$ 37,518
License and Permits	35,000	35,000	46,207	11,207
Intergovernmental	616,000	616,000	288,629	(327,371)
Charges for Services	89,011	89,011	89,495	484
Fines and Forfeits	50,000	50,000	48,634	(1,366)
Interest Income	10,000	10,000	119,239	109,239
Miscellaneous	15,000	15,000	16,001	1,001
TOTAL REVENUES	1,024,851	1,024,851	855,563	(169,288)
<u>EXPENDITURES</u>				
General Government	285,165	285,165	459,793	(174,628)
Public Safety	512,411	512,411	247,921	264,490
Public Works	391,109	391,109	155,421	235,688
Culture and Recreation	681,037	681,037	26,061	654,976
TOTAL EXPENDITURES	1,869,722	1,869,722	889,196	980,526
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(844,871)	(844,871)	(33,633)	811,238
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	-	-	(54,800)	(54,800)
Total Other Financing Sources	-	-	(54,800)	(54,800)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (844,871)	\$ (844,871)	(88,433)	\$ 756,438
FUND BALANCE - BEGINNING OF YEAR			3,659,573	
PRIOR PERIOD ADJUSTMENT			62,151	
FUND BALANCE - END OF YEAR			\$ 3,633,291	

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**PROPRIETARY FUND
BUDGETARY COMPARISON
For The Year Ended September 30, 2007**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Operating Revenues:				
Meter Sales	140,000	140,000	\$ 149,315	\$ 9,315
Sewer Charges	100,000	100,000	92,349	(7,651)
Grant	-	-	34,216	34,216
Transfer	-	-	54,800	54,800
Late Charges and Connection Fees	<u>10,500</u>	<u>10,500</u>	<u>17,843</u>	<u>7,343</u>
Total Operating Revenues	250,500	250,500	348,523	98,023
Operating Expenses:				
Personnel Costs	116,469	116,469	84,317	32,152
Materials and Supplies	22,550	22,550	15,034	7,516
Professional Services	-	-	19,424	(19,424)
Repair and Maintenance	-	-	145,737	(145,737)
Other Expenses	58,100	58,100	51,389	6,711
Capital Outlay	75,000	75,000	-	75,000
Depreciation Expense	-	-	101,381	(101,381)
Total Operating Expenses	<u>272,119</u>	<u>272,119</u>	<u>417,282</u>	<u>(145,163)</u>
Net Operating Income	<u>(21,619)</u>	<u>(21,619)</u>	(68,759)	<u>(47,140)</u>
Non-Operating Revenues (Expenses)				
Interest Income	8,000	8,000	4,505	(3,495)
Interest Expense	<u>(27,358)</u>	<u>(27,358)</u>	<u>(25,032)</u>	<u>-</u>
Total Nonoperation Revenues	<u>(19,358)</u>	<u>(19,358)</u>	<u>(20,527)</u>	<u>-3,495</u>
Net Income	<u>\$ (40,977)</u>	<u>\$ (40,977)</u>	(89,286)	<u>\$ (50,635)</u>
Prior Period Adjustment			(62,374)	
RETAINED EARNINGS - BEGINNING OF YEAR			<u>971,398</u>	
RETAINED EARNINGS - END OF YEAR			<u>\$ 819,738</u>	

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**COMPONENT UNIT
BUDGETARY COMPARISON
For The Year Ended September 30, 2007**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Lot Sales	\$ 40,000	\$ 40,000	\$ 9,000	\$ (31,000)
Interest Income	200	200	989	789
Donations	5,000	5,000	3,712	(1,288)
Dirt Removal fee	300	300	360	60
Total Operating Revenues	45,500	45,500	14,061	(31,439)
Operating Expenses:				
Supplies	6,000	6,000	-	6,000
Other Services & Charges	30,000	30,000	13,201	16,799
Total Expenditures	36,000	36,000	13,201	22,799
Excess of Revenue Over (Under)	\$ 9,500	\$ 9,500	860	\$ (54,238)
Expenses				
RETAINED EARNINGS - BEGINNING OF YEAR			98,413	
PRIOR PERIOD ADJUSTMENT			7,559	
RETAINED EARNINGS - END OF YEAR			\$106,832	

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

**SCHEDULE OF INVESTMENTS – ALL FUNDS
For The Year Ended September 30, 2007**

GENERAL FUND		
Certificate of Deposit dated 9/30/03. Due 12/31/05	3.70%	<u>\$ 1,666,286</u>
Total General Fund		1,666,286
WATER AND SEWER FUND:		
Certificate of Deposit dated 8/26/03. Due 11/26/05	2.25%	<u>129,936</u>
Total Water and Sewer Fund		129,936
EXPENDABLE TRUST FUND:		
Certificate of Deposit dated 8/26/03. Due 11/26/05	3.25%	<u>27,801</u>
Total Expendable Trust Fund		<u>27,801</u>
TOTAL INVESTMENTS		<u><u>\$ 1,824,023</u></u>

TOWN OF COLDWATER, MISSISSIPPI

PRINCIPAL OFFICIALS

<u>Name and Position</u>	<u>Title</u>	<u>Years in Town Government</u>
Jessie Edwards	Mayor	18
Vernon Jackson	Vice Mayor	7
Mary Jackson	City Clerk	18
Ella Cummings	Deputy Clerk	20
Undra Todd	Chief of Police	2
James Minor	City Attorney	4
Edward T. Davis	City Engineer	15
Gregory Means	Alderman	3
Harold Davis	Alderman	5
Sherman Riley	Alderman	6
Donzella Jefferies	Alderman	3

TOWN OF COLDWATER, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS For The Year Ended September 30, 2007

<u>Name and Position</u>	<u>Surety</u>	<u>Amount</u>
Jessie Edward Mayor	Mississippi Municipal Bond Program	\$ 25,000
Vernon Jackson Vice Mayor	Mississippi Municipal Bond Program	12,000
Mary Jackson City Clerk	The St. Paul Surety	100,000
Ella Cummings Deputy Clerk	The St. Paul Surety	50,000
Undra Todd Chief of Police	The St. Paul Surety	50,000
John Grace Police Officer	The St. Paul Surety	25,000
Jeffery Small Police Officer	The St. Paul Surety	25,000
Frederick Heard Police Officer	The St. Paul Surety	25,000
Melissa Justice Police Officer	The St. Paul Surety	25,000
Gregory Means Alderman	Mississippi Municipal Bond Program	12,000
Harold Davis Alderman	Mississippi Municipal Bond Program	12,000
Sherman Riley Alderman	Mississippi Municipal Bond Program	12,000
Donzella Jefferies Alderman	Mississippi Municipal Bond Program	12,000

See Report and Notes to the Financial Statements.

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

To the Honorable Mayor and Board of Aldermen
Town of Coldwater, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Coldwater, MS, as of and for the year ended September 30, 2007, which collectively comprise the Town of Coldwater, MS' basic financial statements and have issued our report thereon dated February 22, 2008. 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 Town of Coldwater, MS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coldwater, MS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Coldwater, MS' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Coldwater, MS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Coldwater, MS' financial statements that is more than inconsequential will not be prevented or detected by the Town of Coldwater, MS' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Coldwater, MS' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Coldwater, MS' 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

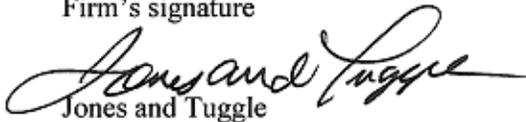
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTER BASED ON AN AUDIT OF
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(Continued)

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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the audit committee, Board of Alderman, 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.

Firm's signature



Jones and Tuggle
Memphis, TN
February 22, 2008

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

To the Honorable Mayor and Board of Aldermen
Coldwater, Mississippi

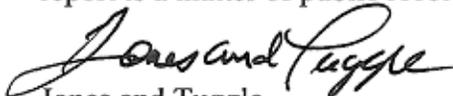
We have audited the general purpose financial statements of the Town of Coldwater, Mississippi, as of and for the year ended September 30, 2007, and have issued our reported thereon dated February 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state compliance and by the audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state law 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, the general purpose financial statements disclosed no material instances on noncompliance with state law and regulations.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Coldwater, Mississippi had not complied with the requirements of the Office of the State Auditors, as set forth in the Municipal Compliance Questionnaire.

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



Jones and Tuggle
Memphis, TN
February 22, 2008