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CITY OF POPLARVILLE, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008



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INTRODUCTORY SECTION

**CITY OF POPLARVILLE, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2008**

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

March 30, 2009

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, 2008, 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, 2008, 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 February 26, 2008, 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 a required part of the basic financial statements but are considered 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.

Honorable Mayor and Members of the
Board of Alderpersons
City of Poplarville, Mississippi
Poplarville, Mississippi
March 30, 2009

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 information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


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, 2008**

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, 2008. 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, 2008 by \$4,594,036. Of this amount, unrestricted net assets of \$1,724,331 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets decreased by \$2,140,297. Of this amount, \$19,440 was associated with governmental activities and \$2,120,857 was from business-type activities. The decrease in business type activities is related to the loss recognized on the transfer of the sewer system to Pearl River County Utility Authority.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,323,312, a decrease of \$784,760 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,282,521 which would cover approximately four months of expenditures.
- On June 1, 2008, the City transferred all business, properties, assets, goodwill and all other rights owned to Pearl River County Utility Authority for the operation of its sewer and wastewater collection, transportation and treatment system in exchange for assumption of the related notes payable.
- The City's total debt obligations decreased by \$2,306,854. Of the decrease, \$2,111,982 was related to the assumption of notes payable related to the sewer system transferred to Pearl River County Utility Authority. The City obtained two new capital leases during 2008. The leases allowed the City to acquire three new police cars for the police department. The new leases mature within 36 months and carry interest rates of 3.03% per annum.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, 2008**

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, 2008 and 2007, derived from the government-wide Statement of Net Assets.

Table 1: Condensed Statement of Net Assets						
As of September 30, 2008 and 2007						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,615,783	\$ 2,280,391	\$ 678,766	\$ 538,817	\$ 2,294,549	\$ 2,819,208
Capital assets, net	2,349,589	1,627,509	1,197,505	5,690,695	3,547,094	7,318,204
Total assets	<u>3,965,372</u>	<u>3,907,900</u>	<u>1,876,271</u>	<u>6,229,512</u>	<u>5,841,643</u>	<u>10,137,412</u>
Other liabilities	300,255	230,200	220,332	416,611	520,587	646,811
Long-term liabilities	257,903	251,046	469,117	2,505,222	727,020	2,756,268
Total liabilities	<u>558,158</u>	<u>481,246</u>	<u>689,449</u>	<u>2,921,833</u>	<u>1,247,607</u>	<u>3,403,079</u>
Net assets:						
Invested in capital assets, net of related debt	2,088,456	1,373,708	683,425	2,862,710	2,771,881	4,236,418
Restricted	40,791	56,642	57,033	55,972	97,824	112,614
Unrestricted	1,277,967	1,996,304	446,364	388,997	1,724,331	2,385,301
Total net assets	<u>\$ 3,407,214</u>	<u>\$ 3,426,654</u>	<u>\$ 1,186,822</u>	<u>\$ 3,307,679</u>	<u>\$ 4,594,036</u>	<u>\$ 6,734,333</u>

At September 30, 2008 and 2007, the City's assets exceeded liabilities by \$4,594,036 and \$6,734,333, respectively. By far, the largest portion of the City's net assets (60% and 63%) 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, 2008**

Government-wide Financial Analysis (Continued)

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2008 and 2007, as derived from the government-wide Statement of Activities.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 462,684	\$ 462,119	\$ 765,184	\$ 957,663	\$ 1,227,868	\$ 1,419,782
Operating grants and contributions	305,329	143,535	-	-	305,329	143,535
Capital grants and contributions	139,000	83,358	-	155,637	139,000	238,995
Total program revenues	907,013	689,012	765,184	1,113,300	1,672,197	1,802,312
General revenues						
Property taxes	668,500	661,296	-	-	668,500	661,296
Sales taxes	725,559	731,246	-	-	725,559	731,246
Interest earnings	43,894	87,768	305	304	44,199	88,072
Loss on retirement of assets	-	(11,912)	-	-	-	(11,912)
Transfers	-	-	-	-	-	-
Other	23,772	133,494	-	-	23,772	133,494
Total general revenues	1,461,725	1,601,892	305	304	1,462,030	1,602,196
Total revenues	2,368,738	2,290,904	765,489	1,113,604	3,134,227	3,404,508
Program expenses						
General government	539,539	363,235	-	-	539,539	363,235
Court	52,960	64,660	-	-	52,960	64,660
Public safety	1,201,255	1,021,348	-	-	1,201,255	1,021,348
Highways and streets	385,536	435,394	-	-	385,536	435,394
Public works	143,863	124,626	-	-	143,863	124,626
Culture and recreation	31,526	26,370	-	-	31,526	26,370
Miscellaneous	26,094	33,766	-	-	26,094	33,766
Interest and fiscal charges	7,404	7,962	-	-	7,404	7,962
Water and sewer	-	-	695,127	844,711	695,127	844,711
Total program expenses	2,388,177	2,077,361	695,127	844,711	3,083,304	2,922,072
Special item - loss on transfer of sewer system	-	-	(2,191,218)	-	(2,191,218)	-
Change in net assets	(19,439)	213,543	(2,120,856)	268,893	(2,140,295)	482,436
Beginning net assets	3,426,653	3,213,110	3,307,678	3,038,785	6,734,331	6,251,895
Ending net assets	<u>\$ 3,407,214</u>	<u>\$ 3,426,653</u>	<u>\$ 1,186,822</u>	<u>\$ 3,307,678</u>	<u>\$ 4,594,036</u>	<u>\$ 6,734,331</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

Government-wide Financial Analysis (Continued)

Governmental Activities

Governmental activities decreased the City's net assets by \$19,439. Key factors related to the overall decrease are as follows:

- The City has experienced a \$217,436 increase in grant revenue in 2008. The City engaged a grant consultant and is more aggressive in applying for grant funding as it becomes available.
- Sales tax revenue declined slightly which is attributed to current economic conditions.
- Interest earnings are down \$43,894 related to decrease in interest rates on the City's certificates of deposit.
- Overall expenditures of the City are up \$310,816 which is attributed to increase in non-capital expenditures reimbursed by grants and increase in public safety salaries and fuel costs.

Business-type Activities

Business-type activities decreased the City's net assets by \$2,120,856. Key elements of this decrease are as follows:

- On June 1, 2008, the City transferred its sewer system to Pearl River County Utility Authority in exchange for assumption of the note related to the sewer system. The transfer resulted in a loss of \$2,191,218 which is reflected in the decrease above.
- 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 approximate \$70,057 for 2008 and \$112,952 for 2007. User charges for 2008 and 2007 total \$765,184 and \$957,663, respectively, compared to \$917,837 for 2006. The decrease in user charges from 2007 to 2008 is attributed to the transfer of the sewer system to Pearl River County Utility Authority.

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 \$1,282,521.

General Fund

Fund balance at September 30, 2008 totaled \$1,263,586, a decrease of \$788,258 during the fiscal year. The decrease is the result of the following:

- The City has experienced a \$172,630 increase in grant revenue in 2008. The City engaged the services of a grant consultant and is more aggressive in applying for grant funding as it becomes available.
- Sales tax revenue declined \$25,957 which is attributed to current economic conditions.
- Fines and forfeitures have increased \$17,797.
- Licenses and permits have declined slightly.
- General government expenditures have increased \$183,912 with approximately \$161,027 of the increase attributable to expenditures reimbursed by grants.
- Public safety expenditures have increased \$173,925 with approximately \$163,513 of this increase is related to an increase in salaries and fuel costs.
- Overall, expenditures for court, highways and streets, public works, culture and recreation, and miscellaneous expenses are down \$23,001.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

Financial Analysis of the City's Funds (Continued)

- Capital outlay has increased \$746,703. Approximately \$667,878 of the increase is related to ADA sidewalk improvements, general street improvements, the police station addition, park improvements, and cost associated with the fire station addition.
- Overall, general fund revenues have increased by approximately \$45,197 over 2007 while expenditures have increased by \$1,071,402, creating a net decrease of \$1,026,205.

Debt Service Fund

The debt service fund had a fund balance of \$59,726 at September 30, 2008, an increase of \$3,798 from the prior year.

Proprietary Fund

The City's proprietary fund, the Water and Sewer Fund, reported net assets of \$1,186,822, a decrease of \$2,120,856 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 \$446,364. In the current year, the Water and Sewer Fund decrease in net assets is primarily attributed to the \$2,191,218 loss related to the transfer of the sewer system to Pearl River County Utility Authority. Additionally, revenues and expenses decreased \$196,616 and \$127,232, respectively which is attributed to the fact that as of June 1, 2008 the City no longer operated the sewer system.

Budget Variances in the General Fund

Budget amendments are summarized below and are primarily related to additional expenditures to be funded by grants, personnel changes, sidewalk and street improvements, increased fuel costs and other City wide improvements. All differences in the original budget and the final amended budget are summarized as follows:

- \$260,203 (77%) increase in general government expenditures.
- \$2,000 (3%) increase in court expenditures.
- \$267,736 (27%) increase in public safety expenditures.
- \$407,718 (81%) increase in highways and streets expenditures.
- \$16,300 (13%) increase in other public works expenditures.
- \$37,050 (110%) increase in culture and recreation expenditures.
- \$1,207 (5%) in miscellaneous expenses.

The budget for intergovernmental revenues was increased \$101,256 primarily related new grant funding received. The net result of the amendments to the expenditures budgeted created the need to draw down \$908,513 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 \$97,202.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2008, the City reported \$2,349,589 in net capital assets for governmental activities and \$1,197,605 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City transferred \$4,303,199 (net of accumulated depreciation) of its sewer assets to Pearl River County Utility Authority on June 1, 2008.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Capital Asset and Long-Term Debt Activity (Continued)

- The City incurred \$631,828 in costs related to ADA sidewalk improvements, general street improvements, the police station addition, park improvements, and cost associated with the fire station addition.
- The City leased three new vehicles for the Police department in the amount of \$74,608.
- The City purchased two new vehicles for the Police department in the amount of \$69,767.
- The City purchased new park equipment in the amount of \$36,050.

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

Long-Term Debt Activity

At the end of the current fiscal year, the City had \$261,133 in outstanding governmental debt and \$517,847 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 remained steady in 2008. However, the City expects property taxes to increase as additional construction continues in the area and taxes are collected on the newly annexed area not previously collected. Sales tax collections are expected to increase slightly in the foreseeable future because the newly annexed area is expected to offset any decline related to the recent economic downturn. These factors were considered in preparing the City's budget for the 2009 fiscal year.

In the 2009 budget, the City did not raise the overall property tax rate due to current income levels for sales tax and franchise fees, as well as available unreserved net assets.

The City expanded its corporate limits to include land surrounding the two exits off of Interstate 59 in May 2008.

The City is actively pursuing grant funding available through the new economic stimulus package and other funding sources which will be used to fund water system improvements and other City projects as allowable by the grant agreements.

The City is considering issuing revenue bonds to pay for City wide street paving projects and is currently conducting a feasibility study on the issue.

The City expects expenditures other than those funded by grants to remain consistent with the previous year.

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, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 36,612	\$ 65,331	\$ 101,943
Pooled cash and cash equivalents	816,637	317,429	1,134,066
Investments	400,000	-	400,000
Receivables	191,655	141,342	332,997
Internal balances	(26,436)	26,436	-
Due from other governmental agencies	135,956	5,038	140,994
Prepaid expenses	18,682	3,365	22,047
Restricted assets:			
Cash and cash equivalents	-	57,033	57,033
Pooled cash and cash equivalents	42,677	59,025	101,702
Deferred charges, net	-	3,667	3,667
Capital assets			
Land, improvements, and construction in progress	531,964	34,915	566,879
Other capital assets, net of accumulated depreciation	1,817,625	1,162,690	2,980,315
	<u>3,965,372</u>	<u>1,876,271</u>	<u>5,841,643</u>
Total assets			
LIABILITIES			
Accounts payable	138,435	5,651	144,086
Accrued liabilities	78,643	94,939	173,582
Deferred revenues	3,001	-	3,001
Payable from restricted assets:			
Customer deposits	-	59,025	59,025
Long-term liabilities			
Due within one year			
Bonds, capital leases and notes payable	71,698	48,730	120,428
Accrued interest	-	847	847
Compensated absences	8,478	11,140	19,618
Claims and judgments	-	-	-
Due in more than one year			
Bonds, capital leases and notes payable	189,435	469,117	658,552
Compensated absences	68,468	-	68,468
	<u>558,158</u>	<u>689,449</u>	<u>1,247,607</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	2,088,456	683,425	2,771,881
Restricted for:			
Debt service	-	57,033	57,033
Other projects	40,791	-	40,791
Unrestricted	1,277,967	446,364	1,724,331
	<u>\$ 3,407,214</u>	<u>\$ 1,186,822</u>	<u>\$ 4,594,036</u>
Total net assets			

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

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities							
General government	\$ 539,539	\$ 188,822	\$ 15,632	\$ -	\$ (335,085)		\$ (335,085)
Court	52,960	-	-	-	(52,960)		(52,960)
Public safety	1,201,255	131,433	108,986	117,930	(842,906)		(842,906)
Highways and streets	385,536	-	-	21,070	(364,466)		(364,466)
Public works	143,863	142,429	30,711	-	29,277		29,277
Culture and recreation	31,526	-	-	-	(31,526)		(31,526)
Miscellaneous	26,094	-	150,000	-	123,906		123,906
Interest on long-term debt	7,404	-	-	-	(7,404)		(7,404)
Total governmental activities	<u>2,388,177</u>	<u>462,684</u>	<u>305,329</u>	<u>139,000</u>	<u>(1,481,164)</u>		<u>(1,481,164)</u>
Business-type activities							
Water and sewer	<u>695,127</u>	<u>765,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 70,057</u>	<u>70,057</u>
Total	<u>\$3,083,304</u>	<u>\$ 1,227,868</u>	<u>\$ 305,329</u>	<u>\$ 139,000</u>	<u>(1,481,164)</u>	<u>70,057</u>	<u>(1,411,107)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					668,500	-	668,500
Sales taxes					725,559	-	725,559
Unrestricted investment earnings					43,894	305	44,199
Miscellaneous					23,772	-	23,772
Special item - loss on transfer of assets					-	(2,191,218)	(2,191,218)
Total general revenues and special item					<u>1,461,725</u>	<u>(2,190,913)</u>	<u>(729,188)</u>
Change in net assets					<u>(19,439)</u>	<u>(2,120,856)</u>	<u>(2,140,295)</u>
Net assets - beginning					<u>3,426,653</u>	<u>3,307,678</u>	<u>6,734,331</u>
Net assets - ending					<u>\$ 3,407,214</u>	<u>\$ 1,186,822</u>	<u>\$ 4,594,036</u>

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, 2008**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 36,612	\$ -	\$ 36,612
Pooled cash and cash equivalents	757,360	59,277	816,637
Investments	400,000	-	400,000
Receivables	191,091	564	191,655
Due from other governments	135,956	-	135,956
Prepaid expenses	18,682	-	18,682
Restricted assets:			
Pooled cash and cash equivalents	42,677	-	42,677
Total assets	<u>\$1,582,378</u>	<u>\$ 59,841</u>	<u>\$ 1,642,219</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 138,321	\$ 115	\$ 138,436
Accrued liabilities	78,643	-	78,643
Due to other funds	26,436	-	26,436
Deferred revenue	66,914	-	66,914
Other payables	8,478	-	8,478
Total liabilities	318,792	115	318,907
Fund balances:			
Reserved for special projects	40,791	-	40,791
Unreserved	1,222,795	59,726	1,282,521
Total fund balances	1,263,586	59,726	1,323,312
Total liabilities and fund balances	<u>\$1,582,378</u>	<u>\$ 59,841</u>	<u>\$ 1,642,219</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, 2008**

Total fund balance, governmental funds (Exhibit C)	\$	1,323,312
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		2,349,590
<p>Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		(329,601)
Deferred revenue		63,913
Net assets of governmental activities (Exhibit A)	\$	3,407,214

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, 2008

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 627,997	\$ 40,503	\$ 668,500
Sales and miscellaneous taxes	868,960	-	868,960
Fees and fines	93,358	-	93,358
Licenses and permits	25,151	-	25,151
Intergovernmental	438,760	-	438,760
Charges for services	142,429	-	142,429
Investment earnings	43,894	-	43,894
Miscellaneous	23,773	-	23,773
	<u>2,264,322</u>	<u>40,503</u>	<u>2,304,825</u>
EXPENDITURES			
Current:			
General government	536,647	-	536,647
Court	55,535	-	55,535
Public safety	1,047,910	-	1,047,910
Highways and streets	383,259	-	383,259
Public works	143,863	-	143,863
Culture and recreation	31,526	-	31,526
Miscellaneous	26,094	-	26,094
Debt service:			
Principal	36,052	31,225	67,277
Interest and other charges	1,924	5,480	7,404
Capital outlay	864,378	-	864,378
	<u>3,127,188</u>	<u>36,705</u>	<u>3,163,893</u>
Excess (deficiency) of revenues over expenditures	<u>(862,866)</u>	<u>3,798</u>	<u>(859,068)</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt, net	74,608	-	74,608
Net change in fund balances	(788,258)	3,798	(784,460)
Fund balances - beginning	<u>2,051,844</u>	<u>55,928</u>	<u>1,323,312</u>
Fund balances - ending	<u>\$1,263,586</u>	<u>\$ 59,726</u>	<u>\$ 1,323,312</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, 2008**

Net change in fund balances - total governmental funds (Exhibit D)	\$	(784,460)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		722,080
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		63,913
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.		(7,331)
Compensated absences		<u>(13,641)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u>(19,439)</u>

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, 2008

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	382,660
Accounts receivable, net	141,342
Due from other funds	26,436
Due from other governments	5,038
Prepaid expenses	3,365
Total current assets	558,941
Non-current assets:	
Deferred charges, net	3,667
Restricted Assets:	
Cash and cash equivalents	116,058
Capital Assets:	
Land	34,915
Buildings and improvements	2,200,537
Machinery and equipment	145,935
Vehicles under leases, net	82,437
Less: accumulated depreciation	(1,266,219)
Total non-current assets	1,317,330
Total assets	1,876,271
LIABILITIES	
Current liabilities:	
Accounts payable	5,651
Accrued liabilities	94,939
Accrued interest payable	847
Compensated absences	11,140
Capital lease obligation	6,545
Bonds payable	42,185
Payable from restricted assets:	
Customer deposits	59,025
Total current liabilities	220,332
Non-current liabilities:	
Capital lease obligation	5,672
Bonds payable	463,445
Total non-current liabilities	469,117
Total liabilities	689,449
NET ASSETS	
Invested in capital assets, net of related debt	683,425
Restricted for debt service	57,033
Unrestricted	446,364
Total net assets	\$ 1,186,822

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, 2008

	<u>Water and Sewer</u>
REVENUES	
Charges for services	\$ 753,465
Miscellaneous	<u>7,582</u>
Total operating revenues	<u>761,047</u>
OPERATING EXPENSES	
Personal services	181,428
Supplies	45,768
Materials	34,014
Utilities	57,905
Depreciation and amortization	190,273
Other operating expenses	<u>73,912</u>
Total operating expenses	<u>583,300</u>
Operating income	<u>177,747</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest and investment revenue	305
Miscellaneous expense	(19,420)
Interest expense	<u>(88,270)</u>
Total non-operating revenue (expenses)	<u>(107,385)</u>
INCOME BEFORE SPECIAL ITEM	70,362
Special item - loss on transfer of sewer system	<u>(2,191,218)</u>
CHANGE IN NET ASSETS	(2,120,856)
TOTAL NET ASSETS - BEGINNING	<u>3,307,678</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 1,186,822</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, 2007**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 848,119
Payments to suppliers	(218,911)
Payments to employees	<u>(175,269)</u>
Net cash provided by operating activities	<u>453,939</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Repayment of interfund loans	<u>(11,634)</u>
Net cash used by noncapital financing activities	<u>(11,634)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(202,208)
Interest paid on capital debt	<u>(92,530)</u>
Net cash used by capital and related financing activities	<u>(294,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Restricted customer deposits	1,974
Interest received	<u>305</u>
Net cash provided by investing activities	<u>2,279</u>
Net increase in cash and cash equivalents	149,846
Balances-beginning of the year	<u>348,972</u>
Balances-end of the year	<u>\$ 498,818</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Unrestricted:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	382,660
Restricted:	
Cash and cash equivalents	<u>116,058</u>
	<u>\$ 498,818</u>

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 177,747
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	190,273
Bad debt recovery	4,137
Decrease in current assets	
Accounts receivable	(1,634)
Prepaid expenses	(672)
Increase (decrease) in current liabilities	
Accounts payable	(6,640)
Accrued liabilities	90,728
	<u>90,728</u>
Net cash provided by operating activities	<u>\$ 453,939</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, 2008**

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 Services, 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, 2008.

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 9 and 10 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, 2008**

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. 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.

(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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008, 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.

(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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(E) Capital Assets (Continued)

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, 2008. 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.

(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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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, 2008, follows:

	<u>Cash on Hand</u>	<u>Cash Deposits</u>	<u>Pooled Cash Deposits</u>	<u>Total</u>
Governmental Activities				
General Fund	\$ 600	\$ 36,012	\$ 800,037	\$ 836,649
Debt Service Fund	-	-	59,277	59,277
Total governmental activities	<u>600</u>	<u>36,012</u>	<u>859,314</u>	<u>895,926</u>
Business-type Activities				
Enterprise Fund				
Water and Sewer Fund	<u>100</u>	<u>122,264</u>	<u>376,454</u>	<u>498,818</u>
Total cash and cash equivalents	<u>\$ 700</u>	<u>\$ 158,276</u>	<u>\$ 1,235,768</u>	<u>\$ 1,394,744</u>

The City maintained the following restricted assets as of September 30, 2008:

Governmental Activities	
Cash and cash equivalents	
Restricted for public safety use	\$ 37,814
Restricted for unemployment claims	<u>4,863</u>
Total restricted assets - governmental activities	<u>42,677</u>
Business-type Activities	
Cash and cash equivalents	
Restricted for utility customer deposits	59,025
Restricted for bond covenant	<u>57,033</u>
Total restricted assets - business-type activities	<u>116,058</u>
Total restricted assets - government-wide	<u>\$ 158,735</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, 2008 are covered by FDIC insurance or by collateral. The City's deposits are not subject to custodial credit risk.

At September 30, 2008, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$1,439,989	\$1,394,044

(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, 2008, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2007	Purchases	Maturities	Balance September 30, 2008
First National Bank 5.06% interest, matured February 29, 2008	\$ 200,000	\$ -	\$ (200,000)	\$ -
Bank Plus 4.94% interest, matured August 29, 2008	200,000	-	(200,000)	-
Bank Plus 2.98% interest, matured August 29, 2008	-	200,000	(200,000)	-
Bank Plus 2.48% interest, matured September 19, 2008	-	200,000	(200,000)	-
Hancock Bank 2.67% interest, matures February 28, 2009	-	200,000	-	200,000
Bank Plus 2.78% interest, matures March 25, 2009	-	200,000	-	200,000
Total	\$ 400,000	\$ 800,000	\$ (800,000)	\$ 400,000

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3: RECEIVABLES

Receivables at September 30, 2008 consist of the following:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	Total
	General Fund	Debt Service Fund	Water and Sewer Fund	
Property taxes	\$ 6,634	\$ 564	\$ -	\$ 7,198
Sales taxes	142,415	-	-	142,415
Franchise taxes	41,298	-	-	41,298
Accounts, gross	-	-	170,783	170,783
Interest	544	-	-	544
Other	200	-	-	200
Total receivables, gross	191,091	564	170,783	362,438
Less allowance for doubtful receivables	-	-	(29,441)	(29,441)
Total receivables, net	<u>\$ 191,091</u>	<u>\$ 564</u>	<u>\$ 141,342</u>	<u>\$ 332,997</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, 2008, 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, 2008 have been provided below.

The assessed valuations of the City for the year ended September 30, 2008 are as follows:

Real property	\$ 7,297,225
Personal property	1,777,530
Public utilities	1,763,059
Automobiles	<u>1,793,325</u>
Totals	<u>\$ 12,631,139</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3: RECEIVABLES (Continued)

(A) Property Taxes (Continued)

The tax levies for the City for the years ended September 30, 2008, 2007, and 2006 are as follows:

	2008	2007	2006
General Fund	50.50	50.50	50.50
Debt Service Fund	3.50	3.50	3.50
Total levy	54.00	54.00	54.00

(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 \$705,289. Sales taxes receivable consists of taxes collected by the State for August and September 2008 not received by the City until October and November 2008. Additional sales tax receivable for the year ended September 30, 2008 consisted of additional revenue earned during the year on a newly annexed area of the City but not remitted to the City until fiscal year 2009.

(C) Pearl River Central Utility Authority

Under the terms of the agreement with Pearl River Central Utility Authority, the City shall provide for the billing and collection of sewer rates, fees, charges and other assessments based upon the sewer rates, charges and assessments established by the Authority for a period of four years at no expense to the Authority. In addition, the City has leased employees to and paid certain expenses on behalf of the Authority which are reimbursed by the Authority.

In order to manage the billing and collection services for the Authority, the City records total receivables billed on behalf of the Authority as an asset with an offsetting payable due to the Authority in the Statement of Net Assets. As of September 30, 2008, \$84,569 is due to the Authority and represents outstanding accounts receivable assumed at June 1, 2008 plus new sewer billings net of collection remittance and expenses paid on behalf of the Authority.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at September 30, 2008:

	Governmental Activities		Business-type Activities	
	General Fund	Debt Service Fund	Water and Sewer Fund	Total
Due from State of MS	\$ 135,956	\$ -	\$ 5,038	\$ 140,994

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 is as follows:

	Balance October 1, 2007	Additions	Disposals	Transfers	Balance September 30, 2008
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 467,052	\$ -	\$ -	\$ -	\$ 467,052
Construction in progress	-	631,828	-	(566,916)	64,912
Total capital assets, not being depreciated	<u>467,052</u>	<u>631,828</u>	<u>-</u>	<u>(566,916)</u>	<u>531,964</u>
Capital assets, being depreciated:					
Buildings and improvements	675,549	-	-	566,916	1,242,465
Machinery and equipment	455,658	36,050	-	-	491,708
Vehicles	385,485	69,767	-	-	455,252
Equipment under lease	38,238	-	-	-	38,238
Vehicles under lease	126,774	74,608	-	-	201,382
Total capital assets, being depreciated	<u>1,681,704</u>	<u>180,425</u>	<u>-</u>	<u>566,916</u>	<u>2,429,045</u>
Less accumulated depreciation for:					
Buildings and improvements	(225,988)	(21,938)	-	-	(247,926)
Machinery and equipment	(102,503)	(27,560)	-	-	(130,063)
Vehicles	(158,146)	(23,414)	-	-	(181,560)
Equipment under lease	(3,521)	(1,704)	-	-	(5,225)
Vehicles under lease	(31,087)	(15,559)	-	-	(46,646)
Total accumulated depreciation	<u>(521,245)</u>	<u>(90,175)</u>	<u>-</u>	<u>-</u>	<u>(611,420)</u>
Total capital assets, being depreciated, net	<u>1,160,459</u>	<u>90,250</u>	<u>-</u>	<u>566,916</u>	<u>1,817,625</u>
Total governmental activities capital assets, net	<u>\$ 1,627,511</u>	<u>\$ 722,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,349,589</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 34,915	\$ -	\$ -	\$ -	\$ 34,915
Capital assets, being depreciated:					
Buildings and improvements	9,864,627	-	(7,657,115)	-	2,207,512
Machinery and equipment	194,805	-	(55,846)	-	138,959
Vehicles under lease	82,438	-	-	-	82,438
Total capital assets, being depreciated	<u>10,141,870</u>	<u>-</u>	<u>(7,712,961)</u>	<u>-</u>	<u>2,428,909</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,369,132)	(175,215)	3,393,924	-	(1,150,423)
Machinery and equipment	(101,174)	(7,061)	15,838	-	(92,397)
Vehicles under lease	(15,785)	(7,614)	-	-	(23,399)
Total accumulated depreciation	<u>(4,486,091)</u>	<u>(189,890)</u>	<u>3,409,762</u>	<u>-</u>	<u>(1,266,219)</u>
Total capital assets, being depreciated, net	<u>5,655,779</u>	<u>(189,890)</u>	<u>(4,303,199)</u>	<u>-</u>	<u>1,162,690</u>
Total business-type activities capital assets, net	<u>\$ 5,690,694</u>	<u>\$ (189,890)</u>	<u>\$ (4,303,199)</u>	<u>\$ -</u>	<u>\$ 1,197,605</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental Activities	
General government	\$ 5,711
Public safety	66,573
Public works	<u>17,891</u>
Total governmental activities depreciation expense	<u>\$ 90,175</u>
Business-Type Activities	
Water and sewer	<u>\$ 189,980</u>

On June 1, 2008, the City transferred all the business, properties, assets, goodwill, and rights for the operation of its sewer and wastewater collection, transportation, and treatment system totaling \$4,303,200, net of accumulated depreciation, to Pearl River County Utility Authority (Authority). In consideration for the transfer, the Authority assumed the note payable associated with the sewer system totaling \$2,111,982. The resulting loss on the transfer of the City's sewer system was \$2,191,218 and is recorded in the statement of activities as a loss on the sale of assets.

NOTE 6: LONG-TERM DEBT

Changes in outstanding debt during the year ended September 30, 2008 are as follows:

	Balance October 1, 2007	Additions	Principal Payments/ Reductions	Balance September 30, 2008	Due within One Year
Governmental Activities					
Notes payable	\$ 213,178	\$ -	\$ (31,224)	\$ 181,954	\$ 32,342
Capital leases payable	40,623	74,608	(36,052)	79,179	39,356
Compensated absences payable	56,535	20,411	-	76,946	8,478
Total governmental activities	<u>\$ 310,336</u>	<u>\$ 95,019</u>	<u>\$ (67,276)</u>	<u>\$ 338,079</u>	<u>\$ 80,176</u>
Business-type Activities					
Note payable	\$ 2,257,887	\$ -	\$ (2,257,887)	\$ -	\$ -
Bonds payable	545,777	-	(40,147)	505,630	42,185
Capital leases payable	28,369	-	(16,152)	12,217	6,545
Compensated absences payable	7,045	4,095	-	11,140	11,140
Total business-type activities	<u>\$ 2,839,078</u>	<u>\$ 4,095</u>	<u>\$ (2,314,186)</u>	<u>\$ 528,987</u>	<u>\$ 59,870</u>

(A) Notes Payable

At September 30, 2008 the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2008
Governmental Activities:					
State of Mississippi	1/17/1997	2/1/2012	4.00%	\$ 213,000	\$ 59,147
State of Mississippi	4/1/2006	3/1/2016	2.00%	161,191	122,806
Total governmental activities				<u>\$ 374,191</u>	<u>\$ 181,953</u>

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(A) Notes Payable (Continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2009	\$ 32,342	\$ 4,363	\$ 36,705
2010	33,341	3,364	36,705
2011	34,375	2,330	36,705
2012	22,845	1,409	24,254
2013	16,773	1,025	17,798
2014-2016	42,277	1,065	43,342
Total	<u>\$ 181,953</u>	<u>\$ 13,556</u>	<u>\$ 195,509</u>

(B) Bonds Payable

At September 30, 2008 the City's outstanding revenue bonds payable are described as follows:

	Date of Issue	Original Issue	Final Maturity Date	Rates	Balance September 30, 2008
Business-type Activities:					
Revenue bond (acquired by GMAC Commercial Mortgage)	5/5/1981	\$ 883,000	9/30/2016	5.00%	\$ 324,900
Revenue bond (acquired by the USDA)	11/16/2006	185,185	2/16/2041	4.38%	180,730
Total bonds payable at year-end					<u>\$ 505,630</u>

The annual bonded debt service requirements to maturity for the revenue bonds are as follows:

Year Ending September 30,	Business-type Activities		Total Requirements
	Principal	Interest	
2009	\$ 42,185	\$ 23,443	\$ 65,628
2010	44,327	21,301	65,628
2011	46,576	19,052	65,628
2012	48,941	16,687	65,628
2013	51,426	14,202	65,628
2014-2041	272,175	125,928	398,103
Total	<u>\$ 505,630</u>	<u>\$ 220,613</u>	<u>\$ 726,243</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 shall be deposited \$325 per month until the funds and investments shall equal \$40,000.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(B) Bonds Payable (Continued)

- 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.

The City's Water and Sewer Revenue Bond dated November 16, 2006, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Water and Sewer System Bond Cushion Fund - Into which shall be deposited \$44 per month until the funds and investments shall equal \$5,304.
- Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.
- Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.

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

At September 30, 2008 the balances in the restricted accounts required by the bond covenants are as follows:

	Required Balance	Balance 9/30/2008	(Under) Over Funded
Bond cushion fund	\$ 41,017	\$ 41,017	\$ -
Depreciation fund	9,508	9,508	-
Contingent fund	6,508	6,508	-
	\$ 57,033	\$ 57,033	\$ -

(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, 2008 are as follows:

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases Payable (Continued)

	Date Issued	Effective Interest Rate	Original Amount	Outstanding Present Value
Governmental Activities:				
2008 Crown Victoria	9/16/2008	3.03%	\$ 25,310	\$ 25,310
(2) 2008 Crown Victoria	1/2/2008	3.03%	49,298	38,884
Kubota tractor	5/31/2006	3.88%	23,368	6,102
2006 Ford Crown Victoria	7/21/2006	3.88%	30,678	8,883
Total governmental activities			<u>128,654</u>	<u>79,179</u>
Business-type Activities:				
2007 Ford F-150	7/23/2007	4.27%	19,509	12,217
Total capital leases at year-end			<u>\$ 148,163</u>	<u>\$ 91,396</u>

The following is an analysis of property leased under capital leases as of September 30, 2008:

	Cost	Accumulated Amortization	Net Book Value
Governmental Activities			
Vehicles	\$ 105,286	\$ (15,865)	\$ 89,421
Machinery and equipment	23,368	(2,726)	20,642
	<u>128,654</u>	<u>(18,591)</u>	<u>110,063</u>
Business-type Activities			
Vehicles	19,509	(2,276)	17,233
	<u>\$ 148,163</u>	<u>\$ (20,867)</u>	<u>\$ 127,296</u>

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2008:

Year Ending September 30,	Governmental Activities	Business-type Activities
2009	\$ 41,620	\$ 6,940
2010	26,380	5,784
2011	14,687	-
Total minimum lease payments	82,687	12,724
Less amount representing interest	(3,508)	(507)
Present value of minimum payments	<u>\$ 79,179</u>	<u>\$ 12,217</u>

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$1,894,671, of which approximately \$1,725,000 is available to the City for further borrowing.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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).

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, 2008:

	Due To	
	Governmental Activities	Business-type Activities
	General Fund	Water and Sewer Fund
Due From		
Governmental Activities:		
General	\$ -	\$ 26,436
Business-type Activities:		
Water and Sewer	26,436	-
Total	\$ 26,436	\$ 26,436

(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. There were no interfund transfers between funds during the year ended September 30, 2008.

NOTE 8: RESTRICTED NET ASSETS

(A) Governmental Activities

Unemployment Compensation Fund

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 \$1,047 more than the \$4,863 required by the State Code.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 8: RESTRICTED NET ASSETS (Continued)

(A) Governmental Activities (Continued)

Forfeiture Fund

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, 2008, the City had \$37,814, net of restricted accounts payable, in its forfeiture fund.

Therefore, total restricted net assets was \$42,677 at September 30, 2008.

(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.

The restricted portions are as follows:

Restricted Assets	
Customer deposits	\$ 59,025
Revenue bond cushion fund account	41,017
Revenue bond depreciation account	9,508
Revenue bond contingent account	<u>6,508</u>
Total restricted accounts	<u>116,058</u>
Liabilities Payable from Restricted Assets	
Customer deposits	<u>59,025</u>
Restricted net assets	<u><u>\$ 57,033</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 \$23,000 in support during the year ended September 30, 2008, and pays the liability insurance policy for the library. The Pearl River County Library System's financial information is reported independently.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 on the following page:

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.

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary. In the year ended September 30, 2008, City employees contributed \$124,750. The City is required to contribute at an actuarially determined rate, currently 11.85% 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, 2008, 2007, and 2006, were \$124,750, \$119,705, and, \$92,037 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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

(C) 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. \$6,558 in the year ended September 30, 2008. Annual payments are required by the City in the amount of \$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.

(D) Garbage Collection Contract

The City renewed its contract with Waste Management of Mississippi, Inc. in April 2008. The term of the contract runs from July 1, 2008 through June 31, 2011. Waste Management picks up and disposes of garbage collected from residential and light commercial businesses at a monthly cost of \$12.07 per location. For the year ended September 30, 2008, the City paid Waste Management \$143,533 for garbage collection which is included in public works expenses on the statement of activities.

(E) Copier Operating Lease

In April 2008, the City entered into a four year operating lease agreement for a copier. Monthly payments on this lease are \$180. Lease expense for the year ended September 30, 2008 under the lease expiring April 2012 was \$900.

Lease expenses are included in the statements of activities. The minimum future lease payments on this lease at September 30, 2008 are as follows:

Year	Amount
2009	\$ 2,160
2010	2,160
2011	2,160
2012	1,260
Total	\$ 7,740

(F) Construction in Progress

Construction in progress as of September 30, 2008 is primarily composed of construction costs for fire station improvements and CDBG sidewalk improvements. The total amount of construction contracts in progress as of September 30, 2008 is \$129,372, of which \$64,372 in construction costs had been incurred through September 30, 2008. The City is further obligated to pay the remaining \$65,000 as work progresses on these construction contracts.

(G) Other Projects

The City is also committed to other CDBG planning and zoning projects. The total of the contracts are \$55,500, of which \$11,125 had been incurred through September 30, 2008. The City is further obligated to pay the remaining amount of \$44,375 as work progresses.

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.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 13: RISK MANAGEMENT (Continued)

(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 2008, the City approved bids totaling \$293,571 for sidewalk improvements. These improvements will be funded through grants received from the Mississippi Development Authority.

In March 2009, the City approved a \$978,650 bid for construction of a fire station. The construction will be funded through grants received from the Mississippi Development Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes				
Property	\$ 633,700	\$ 633,700	\$ 630,380	\$ (3,320)
Sales	744,464	744,464	689,780	(54,684)
Licenses, permits, and franchise fees	205,179	205,179	188,615	(16,564)
Intergovernmental	60,506	161,762	211,921	50,159
Charges for services	130,000	130,000	142,429	12,429
Interest	76,182	76,182	44,252	(31,930)
Fines and forfeitures	75,000	75,000	93,358	18,358
Miscellaneous	47,695	47,695	30,410	(17,285)
Total revenues	<u>1,972,726</u>	<u>2,073,982</u>	<u>2,031,145</u>	<u>(42,837)</u>
EXPENDITURES				
Current:				
General government				
Personnel services	242,567	242,567	233,375	9,192
Supplies	16,060	16,060	7,399	8,661
Other services and charges	80,478	340,681	(951)	341,632
Capital outlay	-	-	180,549	(180,549)
Total general government	<u>339,105</u>	<u>599,308</u>	<u>420,372</u>	<u>178,936</u>
Court				
Personnel services	59,678	59,678	48,581	11,097
Supplies	1,200	1,200	1,101	99
Other services and charges	3,705	5,705	5,907	(202)
Capital outlay	1,390	1,390	-	1,390
Total court	<u>65,973</u>	<u>67,973</u>	<u>55,589</u>	<u>12,384</u>
Public safety				
Police				
Personnel services	579,531	624,946	638,412	(13,466)
Supplies	45,165	47,082	59,841	(12,759)
Other services and charges	43,985	96,585	44,695	51,890
Capital outlay	62,704	158,305	176,295	(17,990)
Fire				
Personnel services	202,453	221,916	219,328	2,588
Supplies	19,300	25,390	21,200	4,190
Other services and charges	38,200	40,350	41,508	(1,158)
Capital outlay	9,725	54,225	99,381	(45,156)
Total public safety	<u>1,001,063</u>	<u>1,268,799</u>	<u>1,300,660</u>	<u>(31,861)</u>
Highways and streets				
Personnel services	204,892	210,124	207,278	2,846
Supplies	40,900	47,900	50,861	(2,961)
Other services and charges	129,800	145,107	126,441	18,666
Capital outlay	126,528	506,707	549,509	(42,802)
Total highway and streets	<u>502,120</u>	<u>909,838</u>	<u>934,089</u>	<u>(24,251)</u>
Public works				
Other services and charges	127,655	143,955	143,863	92
Culture and recreation				
Other services and charges	33,625	70,675	26,370	44,305

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES, Continued				
Miscellaneous				
Cemetery				
Other services and charges	20,000	21,207	21,206	1
Airport				
Other services and charges	5,185	5,185	4,942	243
Total miscellaneous	<u>25,185</u>	<u>26,392</u>	<u>26,148</u>	<u>244</u>
Debt service	<u>37,976</u>	<u>55,531</u>	<u>55,531</u>	-
Total expenditures	<u>2,132,702</u>	<u>3,142,471</u>	<u>2,962,622</u>	<u>179,849</u>
Deficiency of revenues over expenditures	<u>(159,976)</u>	<u>(1,068,489)</u>	<u>(931,477)</u>	<u>137,012</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	122,000	122,000	74,608	(47,392)
Receipt of interfund loan	-	-	7,582	7,582
Total other financing sources (uses)	<u>122,000</u>	<u>122,000</u>	<u>82,190</u>	<u>(39,810)</u>
Net change in fund balances	(37,976)	(946,489)	(849,287)	<u>\$ 97,202</u>
Fund balances-beginning, budget basis	<u>762,198</u>	<u>1,927,974</u>	<u>1,927,974</u>	
Fund balances-ending, budget basis	<u>\$ 724,222</u>	<u>\$ 981,485</u>	<u>1,078,687</u>	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year.			133,509	
Change in taxes receivable			(2,383)	
Change in franchise fee receivable			207	
Change in interest receivable			(358)	
Change in sales tax receivable			15,509	
Change in other receivable			(6,637)	
Change in due from other governments			79,709	
Change in interfund loan			(41,238)	
Change in prepaid expenses			6,174	
Change in accrued expenses			(136,536)	
Change in deferred revenue			147,130	
Change in compensated absences			(10,187)	
Fund balances-ending, GAAP basis			<u>\$ 1,263,586</u>	

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, 2008**

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, 2008 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, 2008

	Assessed Value	Tax
ADJUSTED ASSESSED VALUATION		
Realty	\$ 7,297,225	\$ 394,050
Personal - other than auto	1,777,530	95,987
Public utilities	1,763,059	95,205
Personal - auto and mobile home	1,793,325	96,840
Total City of Poplarville at 54 mills	12,631,139	682,082
Less: Homestead exemption allowed	1,243,427	67,145
Total City of Poplarville	\$ 11,387,712	614,937
 Add: Actual homestead reimbursement		44,516
County road taxes		25,156
Prior year tax collections		8,584
Penalties and interest on delinquent taxes		7,486
In-lieu of taxes		3,506
 Deduct: County fees withheld		(4,950)
State tax sales		(3,416)
Adjustments to roll		(4,501)
Unpaid realty, personal and utility taxes		(10,256)
Total to be accounted for		\$ 681,062

COLLECTIONS

	Taxes	Homestead Reimbursement	Total
Collections allocated to fund			
General fund	\$ 586,971	\$ 41,026	\$ 627,997
Debt service	37,013	3,490	40,503
	\$ 623,984	\$ 44,516	668,500
		Unaccounted for	12,562
			\$ 681,062

See independent auditors' report.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2008

<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	N/A	Hanover	\$ 10,000
Blanket Bond for Deputy Clerks and Court Clerk	N/A	Western Surety	\$ 20,000
Blanket Bond for Alderpersons	N/A	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*

March 30, 2009

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, 2008, and have issued our report thereon dated March 30, 2009. 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.

In planning and performing our audit, we considered the City of Poplarville, Mississippi's 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 City of Poplarville, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Segregation of Duties over Cash Receipts

As of September 30, 2008, a complete segregation of duties over the cash receipt function had not been obtained due to limited staff available. In order to mitigate the lack of segregation of duties, we recommend that the City realign duties as follows:

- Both employees responsible for cash receipts should close out the cash register together.
- One employee should count the cash and prepare the deposit slip while the other employee reconciles the cash receipt documentation with the cash register tape.
- Each employee should reconcile their counts with each other as evidenced by dual sign off on the daily cash sheet. Any discrepancies should be reported to the City Clerk.
- The validated deposit slip should be reviewed by the employee who does not take the deposit to the bank.

Views of Responsible Officials & Planned Corrective Actions:

The City Clerk implemented the recommended procedures on December 15, 2008.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
March 30, 2009

Segregation of Duties of Cash Disbursements

There is a lack of segregation of duties over the cash disbursement process. Currently, the employee that issues purchase orders can also issue checks, mail checks, investigate discrepancies involving expenditures, and edit the vendor master file. We understand that this is due to the limited availability of staff. Although the City Clerk is reviewing the cash requirements report prior to preparation of checks, authorized signers are not reviewing supporting documentation before signing checks and returning them to the preparer for mailing.

In order to mitigate the lack of segregation of duties, we recommend that all supporting documentation be reviewed by the authorized signers before checks are signed.

Views of Responsible Officials & Planned Corrective Actions:

The City concurs with the finding. The City Clerk will review supporting documentation before signing checks.

CDBG Cash Account

In fiscal year 2008, the City set up a separate bank account to account for CDBG grant funding received in accordance with the grant agreement. All expenditures paid from this cash account are properly approved by the Board prior to payment and all grant receipts were properly deposited within the account; however, the City had not recorded the cash account and the activity in the City's general ledger. Further, the cash account had not been reconciled the entire year.

We recommend that the City begin recording all activity within the CDBG cash account in the general ledger and that the cash account be reconciled within two weeks of receiving the bank statement.

Views of Responsible Officials & Planned Corrective Actions:

The City concurs with the finding. The City outsources the cash reconciliation function and was not aware that they had not received the journal entries to record the cash activity. The City will more closely monitor the services performed by the outsourced accounts to ensure the journal entries to record the CDBG cash activity have been properly recorded to allow for all expenditures to be included in the budget to actual report presented to the Board for approval. The cash account will be reconciled timely by the City's accountant.

Water and Sewer Billing Adjustments

The City's policy requires Board approval of all water and sewer billing adjustments monthly. A modification log is printed and presented to the Board for approval. This approval process is important since there is a lack of segregation of duties related to the cash receipt and water and sewer accounts receivable function which is mitigated only by the fact that all adjustments are reviewed and approved by the Board. During our testing we noted that entry transaction adjustments entered by the staff responsible for the cash receipts and accounts receivable functions were not included on the modification logs presented to the Board. We did perform a test of water and sewer adjustments and noted that all entry transaction adjustments tested were supported by proper documentation. We recommend that the report presented to the Board for approval include both the modification and entry transactions.

Views of Responsible Officials & Planned Corrective Actions:

On the day that we made the City Clerk aware of the problem, a report showing all modifications and entry adjustments was generated and presented to the Board for approval. Going forward, the reports presented to the Board will include all adjustments.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
March 30, 2009

Internal Control over Financial Accounting and Reporting

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Although management may choose to outsource such services due to time, cost, or training considerations, such accounting functions and service providers must be governed by the control policies and procedures of the City. Management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services and for evaluating the adequacy and results of those services and accepting responsibility for them.

Currently, in order to provide better internal control, certain accounting functions are outsourced by the City, such as financial statement preparation and bank reconciliations. The financial statement preparation process includes the preparation of schedules necessary to propose journal entries needed to convert cash-basis records to a modified accrual basis for fund level financial reporting and full-accrual basis for government-wide level financial reporting. The City has designated the City Clerk to oversee such services. Because of the complex nature of these services and the fact that the adjustments are significant to the financial statements, consideration should be given to ensuring that the City Clerk is provided with additional training opportunities necessary to adequately oversee all outsourced financial services.

Views of Responsible Officials & Planned Corrective Actions:

Management has long recognized the fact that there is a cost-benefit relationship to outsourcing certain financial functions. Management also recognizes its responsibility for monitoring such services. Accordingly, consideration will be given to providing additional training opportunities to the City Clerk.

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 entity's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

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 or other matters that are required to be reported under *Government Auditing Standards*. However, we did note certain matters that we reported to management of the City of Poplarville, Mississippi in a separate letter dated March 30, 2009.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
March 30, 2009

The City of Poplarville, Mississippi's responses to the findings identified in our audit have been described above. We did not audit the City of Poplarville, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Mayor, and Board of Alderpersons 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 MISSISSIPPI STATE LAWS AND REGULATIONS

March 30, 2009

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, 2008, and have issued our report thereon dated March 30, 2009. 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 three instances of noncompliance with state laws and regulations, as noted below:

Finding:

The City entered into a contract in the amount of \$35,327 for which a formal contract was not obtained. The Board did approve the contractor as the lowest and best bidder as documented in the minutes. However, no performance bond, payment bond, or proof of liability insurance was on file. Mississippi State Code 31-5-51 requires contracts exceeding \$25,000 for the construction, alteration, or repair of any public building to furnish proof of general liability insurance coverage in an amount not less than \$1,000,000 in addition to requiring a performance bond and a payment bond.

Views of Responsible Officials & Planned Corrective Actions:

The City concurs with the finding. Going forward the City will take extra steps to ensure that state purchasing laws are properly adhered to.

Finding:

The City entered into three contracts exceeding \$25,000 that required advertised bids. On two of the three contracts, written notification was not sent to the Mississippi Procurement Technical Assistance Program under the Mississippi Development Authority as required by Mississippi State Purchasing Laws.

Views of Responsible Officials & Planned Corrective Actions:

The City concurs with the finding. The City's engineer handles the bid process for the City and believed the threshold to be \$50,000. The City has made the engineer aware of the requirement and going forward the engineer will mail written notification to the Mississippi Procurement Technical Assistance Program for all contracts exceeding \$25,000.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
March 30, 2009

Finding:

The City's expenditures for the public safety department and highways and streets department exceeded the approved department budget. Excess expenditures of \$49,912 were funded by a CDBG grant and were being accounted for in a separate checking account. Although the Board was approving the expenditures as evidenced in the minutes, the City had not recorded the expenditures on the City's books and accordingly had not budgeted for the amounts. Additionally, \$15,000 of the excess expenditures were related to a misclassification of amounts paid for public safety expenditures as general government expenditures. The \$15,000 was adequately budgeted for in the general government budget. The City's overall expenditures for all departments did not exceed the City's overall budget.

Views of Responsible Officials and Planned Corrective Actions:

The City concurs with the finding. The City has implemented procedures to ensure that all cash accounts are properly recorded, all expenditures are properly budgeted, and all expenditures are properly classified.

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