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CITY OF YAZOO CITY, MISSISSIPPI

**AUDITED FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2009

**Ardis D. Russell. CPA
Certified Public Accountant
Yazoo City, Mississippi**

CITY OF YAZOO, MISSISSIPPI
TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor’s Report	1-2
Required Supplemental Information, Part I	
Management’s Discussion and Analysis	3-9
Government-Wide Financial Statements	
Statement of Net Assets	10-12
Statement of Activities	13-14
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to Government-Wide Statement of Net Assets.	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17-18
Reconciliation of Governmental Funds Statement of Revenues, Expenses, and Changes in Fund Balance to Government-Wide Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Net Assets	21
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Net Assets	23
Notes to the Financial Statements	24-44
Required Supplemental Information, Part II	
Budgetary Comparison Schedules	45-58
Other Supplemental Information	
Combining Financial Statements and Schedules	
Special Revenue Funds	
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60-61
Debt Service Funds:	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	63
Capital Project Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Fiduciary Funds:	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
Schedule of Long-Term Debt	66-69
Schedule of Investments – All Funds	70-71
Schedule of Surety Bonds for Municipal Officials	72
Schedule of Long-Term Debt	73-74
Schedule of Expenditures of Federal Awards	75
Compliance and Internal Control Reports:	

CITY OF YAZOO, MISSISSIPPI
TABLE OF CONTENTS (CONTINUED)

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	76
Independent Auditor's Report on Compliance with State Laws and Regulations	77

February 12, 2010

Independent Auditor's Report

Honorable Mayor and Board of Aldermen
City of Yazoo
Yazoo City, MS 39194

We have audited the accompanying general-purpose financial statements of the City of Yazoo, Mississippi, as of September 30, 2009, and for the year then ended as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Yazoo, Mississippi's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Yazoo, Mississippi as of September 30, 2009 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of City of Yazoo, Mississippi, taken as a whole. The combining and individual fund financial statements and schedules and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Yazoo, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget

Independent Auditor's Report

Page two

February 12, 2010

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

Management's Discussion and Analysis on pages 3-9 and the budgetary comparison schedules on pages 45-58 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board, We have applied certain limited procedures, which consist primarily of inquires 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2010, on our consideration of the City of Yazoo's internal control over financial reporting and out tests of its compliance with certain provision 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 reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

In connection with our examination, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

Ardis D. Russell, CPA

City of Yazoo, Mississippi
Management's Discussion and Analysis
September 30, 2009

As management of the City of Yazoo, Mississippi ("City"), we offer readers of the City of Yazoo, Mississippi's financial statements this narrative overview and analysis of the financial activities of the City of Yazoo, Mississippi, for the fiscal year ended September 30, 2009. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the City's short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within the MD&A should be considered only a part of a greater whole. The readers of this statement should take the time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Required supplementary information , which is in addition to the basic financial statements themselves.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

A. The *statement of net assets* presents information on all the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is 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's is improving or weakening.

B. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving 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 (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into *Governmental Activities* that are principally supported by taxes and intergovernmental revenues,

and *Business-Type Activities* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City reports assets of \$8,622,941, of which \$7,236,859 are capital assets. The assets exceed the City’s liabilities of \$3,346,480, \$2,342,391 of which are long term at the close of the most recent fiscal year by \$5,276,461, (*net assets* – see page 12). Of this amount, \$102,586 are unrestricted net assets. The City’s net assets are comprised of \$4,991,501 from Governmental Activities and \$284,960 from Business-Type Activities, as shown on page 12.

By far the largest portion of the City’s net assets reflect its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, City infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets (less than 13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

The Governmental Activities of the City include Supervision and Finance, Fire Department, Police Department, Maintenance of Property, Street Department, Instructional and Recreational, Cemetery Department, Recreation Complex and Triangle Center. Sales taxes, property taxes, franchise taxes, occupational licenses and fines fund most of these governmental activities.

Here we show the City of Yazoo, Mississippi’s expenditures related to those functions associated with governments.

<u>Government Activities Expenditures</u>	<u>2008/2009</u>			<u>2007/2008</u>		
	<u>AMOUNT</u>	<u>PERCENTAGE</u>		<u>AMOUNT</u>	<u>PERCENTAGE</u>	
Supervision and Finance	\$ 1,122,659	18.7	%	\$ 917,694	14.0	%
Fire Department	1,480,460	24.7	%	1,508,920	22.9	%
Police Department	2,024,370	33.7	%	2,389,255	36.2	%
Maintenance of Property	83,698	1.4	%	100,666	1.5	%
Street Department	665,549	11.1	%	888,113	13.5	%
Instruction and Recreational	220,237	3.7	%	166,866	2.5	%
Cemetery Department	108,463	1.8	%	177,635	2.7	%
Recreation Complex	94,471	1.6	%	133,060	2.0	%

<u>Government Activities Expenditures</u> (continued)	<u>2008/2009</u>			<u>2007/2008</u>		
	<u>AMOUNT</u>	<u>PERCENTAGE</u>		<u>AMOUNT</u>	<u>PERCENTAGE</u>	
Triangle Center	\$ 67,711	1.1	%	\$ 71,905	1.1	%
Capital Outlay			%	42,092	.6	%
Miscellaneous Programs	26,692	.4	%	19,491	.3	%
Interest on Long-Term Debt	74,301	1.2	%	86,911	1.3	%
Infrastructure	39,315	.7	%	51,090	.8	%
Accrued Interest	5,919	.1	%	6,004	.1	%
Housing			%	39,408	.6	%
Total Governmental Activities	\$ 6,013,846	100.0	%	\$ 6,599,110	100.00	%

General revenues are those available to the City to use to pay for the governmental activities described above. The following chart shows the City's general revenues.

While property taxes are the largest overall revenue source, sales taxes are the largest earned revenue source for the City comprising 26.90% of the total governmental revenue. Revenues increased from fiscal year September 30, 2008 to September 30, 2009 from \$5,916,534 to \$6,283,100 for a total increase of \$366,566.

Property taxes are the largest revenue source for the City comprising 55.20% of governmental revenue. For the year ended September 30, 2009, taxes of 116 mills were levied on property inside the City limits. The City's taxable assessed valuations increased \$4,182,276 from \$40,455,195 to \$44,638,191 reflected in the 2008 levied amounts. This increase in assessed valuations was caused primarily because of a increase in the assessed valuation of real and personal property of \$5,121,535 and a decrease in the assessed valuation of automobiles of \$460,643 and mobile homes of \$68,554.

	<u>2008/2009</u>			<u>2007/2008</u>		
	<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>	
Property taxes	\$ 3,468,525	55.20	%	\$ 2,930,242	49.52	%
Privilege licenses	46,277	.74	%	33,010	.56	%
Building permit fees	40,684	.65	%	10,124	.17	%
Police fines	369,701	5.88	%	376,525	6.37	%
Gasoline, Tax revenue from state	13,113	.21	%	13,113	.22	%
Cemetery fees	34,247	.55	%	41,160	.69	%
Sale of cemetery lots	6,362	.10	%	5,400	.09	%
Road tax from county	31,468	.50	%	37,300	.63	%
Sales tax	1,690,057	26.90	%	1,773,646	29.98	%

<u>(continued)</u>	2008/2009			2007/2008		
	<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>	
Tax on public utility retail sales	\$ 153,223	2.44	%	\$ 154,651	2.61	%
Sundry other receipts	171,869	2.74	%	123,880	2.09	%
Interest on general fund investments	6,077	.10	%	8,103	.14	%
Mississippi revolving fund	7,584	.12	%	7,584	.13	%
State distribution of fire insurance	76,884	1.22	%	75,358	1.27	%
Interest on cemetery securities			%	3,250	.06	%
State-federal programs	94,492	1.50	%	179,970	3.04	%
Other interest	8		%	3,406	.06	%
Rents	35,153	.55	%	26,323	.45	%
E-911 from County	15,000	.24	%	60,000	1.00	%
Recreation			%	2,148	.02	
Payment in lieu of taxes – housing authority			%	16,337	.28	
Rail car tax	3,666	.06	%	3,304	.06	
Nuclear plant	<u>18,710</u>	<u>.30</u>	%	<u>32,570</u>	<u>.55</u>	
 Total General Revenue	 <u>\$ 6,283,100</u>	 <u>100.00</u>	 %	 <u>\$ 5,916,534</u>	 <u>100.00</u>	 %

Property Taxes Assessed

	2008/2009		2007/2008	
	<u>Mills</u>	<u>Amount</u>	<u>Mills</u>	<u>Amount</u>
General Fund	56.44	\$ 2,519,380	53.79	\$ 2,176,091
General Fund – Library	1.13	50,441	1.21	48,806
General Fund – Parks and Recreation	2.75	122,755	4.00	161,905
General Fund – Retirement	5.42	241,939	5.00	202,263
Sinking Fund – Bond and Interest	8.00	357,106	8.50	343,989
School Fund	29.90	1,334,682	29.50	1,193,401
School Negotiable Notes	3.00	133,915	3.00	121,546
School Interest and Bonds	<u>9.36</u>	<u>417,812</u>	<u>11.00</u>	<u>444,885</u>
 Total Millage	 <u>116.00</u>	 <u>\$ 5,178,030</u>	 <u>116.00</u>	 <u>\$ 4,692,886</u>

Business-Type Activities

The Business-Type Activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Solid Waste Enterprise Fund is reported here.

	<u>Operating Revenues</u>
Fiscal year ended September 30, 2009	\$ 1,040,390
Fiscal year ended September 30, 2008	<u>861,082</u>
Increase (decrease) between fiscal years	<u>\$ 179,308</u>

	<u>Operating Expenses</u>
Fiscal year ended September 30, 2009	\$ 841,666
Fiscal year ended September 30, 2008	<u>805,451</u>
Increase (decrease) between fiscal years	<u>\$ 36,215</u>

2. 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 to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- A. Governmental Funds – Governmental funds are used to account for most of the City’s basis services, reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 19.

The City maintains several 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, 2002 General Obligation Bonds, Debt Service Funds, NARC Special, Building Fund For the Arts, Downtown Grant, and Kids Town, all of which are considered to be significant funds. The basic governmental fund financial statements can be found on pages 15, 17 and 18 of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$1,020,871.

The reserved fund balance in governmental funds in the amount of \$692,922 indicate that these funds are not available for new spending because they have already been committed for debt service and capital projects. The net increase in fund balance during the current year in the debt service fund was \$4,090. The debt service fund’s total fund balance is reserved for the payment of debt.

Changes in Fund Balance in Some of the City's Major Funds

	<u>General</u>	<u>2002 General Obligation Bonds</u>	<u>Debt service</u>
Fiscal year ended September 30, 2009	\$ 370,477	\$ 168,222	\$ 432,209
Fiscal year ended September 30, 2008	(631,669)	168,177	428,119
Increase (decrease) in Fund Balance	<u>\$ 1,002,146</u>	<u>\$ 45</u>	<u>\$ 4,090</u>

B. Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Solid Waste Enterprise Fund. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

C. Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's other programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are the Cemetery Trust Fund, and the School Trust Fund. The basic fiduciary fund financial statements can be found on page 23 of this report.

D. Component Units – The City also includes the Public Service Commission, a component unit, in its report. The financial statements of the Public Service Commission are audited separately. The Public Service Commission is discretely presented within the City's annual report. The Governmental Accounting Standards Board defines what services are to be considered component units by applying several criteria. The criteria are detailed in the notes to the financial statements. For reporting purposes, the Public Service Commission meets that definition.

3. NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on beginning on page 24 of the report.

4. REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Required supplemental information begins on page 45 and includes a presentation of performance results against the adopted budget. The City adopts an annual budget on the modified accrual basis. The original budget and final budget are presented and compared to the budgetary basis financial statements.

5. FINANCIAL HIGHLIGHTS

On a government-wide basis, the net assets of governmental activities increased \$1,125,997, business-type activities increased \$199,013, and component unit increased \$593,128.

General fund expenditures decreased \$932,561 from \$6,698,021 at 9/30/08 to \$5,765,460 at 9/30/09.

The City purchased \$106,079 in capital assets.

The City received \$108,992 in state and federal grants.

The City spent \$75,679 of its Cemetery Trust Funds for the purchase of a backhoe, fence, and a building for the cemetery.

The City reduced outstanding long-term debt by \$562,565.

For the fiscal year ended 9/30/09 in the general fund, budgeted revenues of \$5,819,797 was less than budgeted expenditures of \$6,121,879 for excess expenditures of \$302,082. Actual revenues exceeded actual expenditures by \$517,640.

An operating profit of \$197,724 was made by the Solid Waste Enterprise Fund.

Also transfers from the Public Service Commission increased from fiscal year 2008 to 2009 by \$316,299. Also, the Public Service Commission provided \$229,209 in free utilities to the City.

City insurance increased by \$251,924 from the previous fiscal year.

6. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sales tax collections have decreased by \$83,589 from 2008 to 2009.

Yazoo City's model city program is progressing.

A regional jail, a federal prison annexation, and a call center are being established in Yazoo City, MS

Other Information

Combining statements for each fund and comparisons to the prior year for each classification of funds (e.g. special revenue, proprietary, etc.) are not required, but are presented as other information to enhance the level of detail.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Yazoo, Mississippi's finances 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 financial information should be addressed to the City Clerk's office, 128 East Jefferson Street, Yazoo City, Mississippi 39194.

Government-Wide Statement of Net Assets
September 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit (Public Service Commission)</u>
Cash and other deposits	\$ 1,017,454	\$ 279,599	\$ 1,297,053	\$ 6,932,986
Receivables	5,680		5,680	845,454
Inventories				726,101
Prepaid expenses	83,349		83,349	119,505
Loan receivable				500,000
Capital assets:				
Land, improvements and construction on properties	311,718		311,718	
Infrastructure and infrastructure in process	8,115,337		8,115,337	
Buildings	3,431,570		3,431,570	
Equipment and furniture	4,354,219	484,643	4,838,862	
Electric, water and sewer plant				49,683,733
Less accumulated depreciation	<u>(9,299,671)</u>	<u>(160,957)</u>	<u>(9,460,628)</u>	(26,443,756)
Total capital assets	<u>6,913,173</u>	<u>323,686</u>	<u>7,236,859</u>	
Unamortized debt expense				50,402
Investment				<u>5,000</u>
TOTAL ASSETS	<u>\$ 8,019,656</u>	<u>\$ 603,285</u>	<u>\$ 8,622,941</u>	<u>\$ 32,419,426</u>

Government-Wide Statement of Net Assets
September 30, 2009

<u>LIABILITIES</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit (Public Service Commission)</u>
Current payables and other accrued expenses	\$ 54,590	\$ 10,065	\$ 64,655	\$ 768,175
Unredeemed bond payable				
Loan payable	500,000		500,000	
Other payables				828,104
Long-term liabilities				
Due within one year				
Bonds and capital leases	339,874	92,641	432,515	315,722
Accrued interest	5,919		5,919	
Compensated absences	1,000		1,000	4,000
Due in more than one year				
Bonds and capital leases	2,107,772	215,619	2,323,391	2,377,063
Compensated absences	<u>19,000</u>	<u> </u>	<u>19,000</u>	<u>107,215</u>
TOTAL LIABILITIES	<u>\$ 3,028,155</u>	<u>\$ 318,325</u>	<u>\$ 3,346,480</u>	<u>\$ 4,400,279</u>

Government-Wide Statement of Net Assets
September 30, 2009

<u>NET ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit (Public Service Commission)</u>
Invested in capital assets, net of related debt	\$ 4,465,527	\$ 15,426	\$ 4,480,953	\$ 20,547,192
Restricted for:				
Debt service	432,209		432,209	
Capital projects	168,222		168,222	
U. S. Dept. of Justice Grant	92,491		92,491	
Consumer deposits				812,340
Unemployment reserve				9,003
Emergency reserve				617,601
Unrestricted	<u>(166,948)</u>	<u>269,534</u>	<u>102,586</u>	<u>6,033,011</u>
TOTAL NET ASSETS	<u>\$ 4,991,501</u>	<u>\$ 284,960</u>	<u>\$ 5,276,461</u>	<u>\$ 28,019,147</u>

The notes to the financial statements are an integral part of this financial statement.

CITY OF YAZOO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		Total	Component Unit (Public Service Commission)
		Charges for Services	Operating Grants and Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities		
Primary Government								
Government Activities:								
Supervision and finance	\$ 1,122,659	\$ 46,277			\$(1,076,382)		\$(1,076,382)	
Fire department	1,480,461		\$ 116,279		(1,364,182)		(1,364,182)	
Police department	2,024,370	369,701	37,950		(1,616,719)		(1,616,719)	
Building and zoning	83,698	40,684			(43,014)		(43,014)	
Street department	665,549		38,888		(626,661)		(626,661)	
Instructional and Recreational	220,237				(220,237)		(220,237)	
Cemetery department	108,463	40,609			(68,854)		(68,854)	
Recreation Complex	94,471				(94,471)		(94,471)	
Triangle Center	67,711	23,090			(44,621)		(44,621)	
Miscellaneous programs	26,692				(26,692)		(26,692)	
Interest on long-term debt and bank fees	74,301				(74,301)		(74,301)	
Infrastructure	39,315				(39,315)		(39,315)	
Accrued interest	<u>5,919</u>				<u>(5,919)</u>		<u>(5,919)</u>	
Total Governmental Activities	<u>6,013,846</u>	<u>520,361</u>	<u>193,117</u>		<u>(5,300,368)</u>		<u>(5,300,368)</u>	
Solid Waste Enterprise	<u>841,666</u>	<u>1,040,390</u>				<u>\$ 198,724</u>		
Total Business-Type Activities	<u>841,666</u>	<u>1,040,390</u>				<u>198,724</u>	<u>198,724</u>	
Total Primary Government	<u>6,855,512</u>	<u>1,560,751</u>	<u>193,117</u>		<u>(5,300,368)</u>	<u>198,724</u>	<u>(5,101,644)</u>	
Component Unit								
Public Service Commission	<u>10,822,498</u>	<u>11,915,625</u>						<u>1,093,127</u>
Total Component Unit	<u>\$ 10,822,498</u>	<u>\$ 11,915,625</u>						<u>\$ 1,093,127</u>

CITY OF YAZOO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>(Public Service</u>
		<u>Services</u>	<u>Grants and</u>	<u>And</u>	<u>Activities</u>	<u>Activities</u>		<u>Commission)</u>
			<u>Contributions</u>	<u>Contributions</u>				
General revenues:								
Taxes:								
Property taxes levied for								
general purposes					\$ 3,651,489		\$ 3,651,489	
Franchise taxes					153,223		153,223	
Public service taxes:								
Sales tax					1,690,057		1,690,057	
Gasoline tax					13,113		13,113	
County road tax					31,468		31,468	
Homestead exemption					174,890		174,890	
Rail car tax					3,666		3,666	
Other intergovernmental revenue:								
MS. Revolving fund					7,584		7,584	
Nuclear plant					18,710		18,710	
Kidstown					14,500		14,500	
Unrestricted investment earnings					6,807	342	7,149	
Miscellaneous					177,191		177,191	
Transfers					500,000		500,000	(500,000)
Reimbursement of in-lieu taxes					(16,333)		(16,333)	
Total general revenues and								
special items					<u>6,426,365</u>	<u>342</u>	<u>6,426,707</u>	
Change in net assets					1,125,997	199,066	1,325,063	593,128
Net assets – beginning					<u>3,865,504</u>	<u>85,894</u>	<u>3,951,398</u>	<u>27,426,013</u>
Net assets - ending					<u>\$ 4,991,501</u>	<u>\$ 284,960</u>	<u>\$ 5,276,461</u>	<u>\$ 28,019,147</u>

The notes to the financial statements are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

<u>ASSETS</u>	<u>General Fund</u>	2002 General Obligations Bonds	Debt Service Funds	Aggregate Non-Major Governmental Funds	Total Governmental Fund
Cash in banks	\$ 1,017,454	\$ 18,222	\$ 227,346	\$ 49,963	\$ 1,312,985
Receivables	5,680				5,680
Prepaid expenses	83,349				83,349
Due from other funds	<u>228,611</u>	<u>150,000</u>	<u>269,027</u>		<u>647,639</u>
Total Assets	<u>1,335,094</u>	<u>168,222</u>	<u>496,373</u>	<u>\$ 49,963</u>	<u>\$ 2,049,652</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	54,590				54,590
Due to other funds	410,027		9,000		419,027
Unredeemed bond payable			55,164		55,164
Note payable	<u>500,000</u>				<u>500,000</u>
Total Liabilities	<u>964,617</u>		<u>64,164</u>		<u>1,028,781</u>
 Fund balances:					
 Reserved for:					
Debt service			432,209		432,209
Capital projects		168,222			168,222
Dept. of Justice Grant	92,491				92,491
Unreserved	<u>277,986</u>			<u>49,963</u>	<u>327,949</u>
Total Fund Balances	<u>370,477</u>	<u>168,222</u>	<u>432,209</u>	<u>49,963</u>	<u>1,020,871</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,335,094</u>	 <u>\$ 168,222</u>	 <u>\$ 496,373</u>	 <u>\$ 49,963</u>	 <u>\$ 2,049,652</u>

The notes to the financial statements are an integral part of this financial statement.

**Reconciliation of the Government Funds Balance Sheet to the Government-Wide
Statement of Net Assets
September 30, 2009**

Total fund balance, governmental funds	\$ 1,120,871
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement , but are reported in the governmental activities of the Statement of Net Assets.	6,913,173
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.	(2,473,565)
Due from other funds is reported in the fund financial statement, but has been eliminated and is not reported in the governmental activities of the Statement of Net Assets.	<u>(568,978)</u>
Net Assets of Governmental Activities in the Statement of Net Assets.	<u>\$ 4,991,501</u>

The notes to the financial statements are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2009

	General Fund	2002 General Obligations Bonds	Debt Service Funds	Aggregate Non-Major Governmental Funds	Total Governmental Fund
<u>REVENUES</u>					
Taxes	\$ 3,297,301		\$ 357,854		\$ 3,655,155
Licenses and permits	86,961				86,961
Intergovernmental revenue	1,947,524			\$ 14,500	1,962,024
Charges for services	228,985				228,985
Fines	369,701				369,701
Miscellaneous	<u>352,628</u>	<u>\$ 45</u>	<u>537</u>	<u>140</u>	<u>353,350</u>
Total Revenues	<u>6,283,100</u>	<u>45</u>	<u>358,391</u>	<u>14,640</u>	<u>6,656,176</u>
<u>EXPENDITURES</u>					
Current:					
Supervision and Finance	1,124,282				1,124,282
Fire department	1,451,243				1,451,243
Police department	1,998,695				1,998,695
Building and zoning	83,698				83,698
Street department	657,618				657,618
Instructional and recreational	220,237				220,237
Cemetery	94,638				94,638
Recreation complex	60,853				60,853
Triangle center	74,196				74,196
Debt service:					
Principal			280,000		280,000

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2009

	General Fund	2002 General Obligations Bonds	Debt Service Funds	Aggregate Non-Major Governmental Funds	Total Governmental Fund
Expenditures (continued)					
Interest			\$ 69,585		\$ 69,585
Bank fees			4,716		4,716
Miscellaneous				<u>\$ 26,692</u>	<u>26,692</u>
Total Expenditures	<u>5,765,460</u>		<u>354,301</u>	<u>26,692</u>	<u>6,146,453</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 517,640</u>	<u>\$ 45</u>	<u>4,090</u>	<u>(12,052)</u>	<u>509,723</u>
Other financing sources and uses					
Proceeds of note	500,000				500,000
Payment of note	(500,000)				(500,000)
Reimbursement of Yazoo Housing Authority in-lieu taxes	(16,333)				(16,333)
Transfers in	500,865			26	500,891
Transfers out	(26)			(865)	(891)
Total Other Financing Sources and Uses	<u>484,506</u>			<u>(839)</u>	<u>483,667</u>
Net Change in Fund Balances	1,002,146	45	4,090	(12,891)	993,390
Fund balances - beginning	(631,669)	168,177	428,119	62,849	27,476
Fund balances – ending	<u>\$ 370,477</u>	<u>\$ 168,222</u>	<u>\$ 432,209</u>	<u>\$ 49,958</u>	<u>\$ 1,020,871</u>

The notes to the financial statements are an integral part of this financial statement.

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Government-Wide Statements of Activities
For the Year Ended September 30, 2009**

Net Change in fund balances – total governmental funds:	\$ 993,390
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 expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$30,400 and lease-purchase note payments \$260,704 exceeded depreciation \$432,578 in the current period.	(141,474)
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.	280,000
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditure in governmental funds:	
Accrued interest not reflected on Governmental funds	\$ 5,919 (5,919)
 Change in net assets of governmental activities	 <u>\$ 1,125,997</u>

The notes to the financial statements are an integral part of this financial statement.

Statement of Net Assets
Proprietary Funds
September 30, 2009

<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Solid Waste Enterprise</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and other deposits	\$ <u>23,146</u>	\$ <u>256,453</u>	\$ <u>279,599</u>
Total Current Assets	<u>23,146</u>	<u>256,453</u>	<u>279,599</u>
<u>Non-Current Assets</u>			
Capital assets			
Equipment		484,643	484,643
Less accumulated depreciation		<u>(160,957)</u>	<u>(160,957)</u>
Equipment, Net		<u>323,686</u>	<u>323,686</u>
Total Non –Current Assets			
TOTAL ASSETS	\$ <u>23,146</u>	\$ <u>580,139</u>	\$ <u>603,285</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Due to other funds		217,631	217,631
Accounts Payable		10,065	10,065
Capital leases		<u>92,641</u>	<u>92,641</u>
Total Current Liabilities		<u>320,337</u>	<u>320,337</u>
<u>Non-Current Liabilities</u>			
Capital leases		<u>215,619</u>	<u>215,619</u>
Total Non-Current Liabilities		<u>215,619</u>	<u>215,619</u>
TOTAL LIABILITIES		<u>535,956</u>	<u>535,956</u>
<u>NET ASSETS</u>			
Unrestricted	<u>23,146</u>	<u>44,183</u>	<u>67,329</u>
TOTAL NET ASSETS	\$ <u>23,146</u>	\$ <u>144,183</u>	\$ <u>67,329</u>

The notes to the financial statements are an integral part of this financial statement

**Statement of Revenues, Expenses and Change in
Proprietary Fund
For the Year Ended September 30, 2009**

	<u>Unemployment Compensation</u>	<u>Solid Waste Enterprise</u>	<u>Total</u>
Revenues:			
Garbage collection		\$ 926,390	\$ 926,390
Reimbursement from Yazoo County on landfill		<u>114,000</u>	<u>114,000</u>
TOTAL OPERATING REVENUES		<u>1,040,390</u>	<u>1,040,390</u>
Operating Expenses:			
Personnel Service		406,192	406,192
Operating supplies		29,063	29,063
Contractual Service		319,824	319,824
Depreciation		69,236	69,236
Interest expense		<u>17,351</u>	<u>17,351</u>
TOTAL OPERATING EXPENSES		<u>841,666</u>	<u>841,666</u>
OPERATING INCOME (LOSS)		198,724	198,724
Interest Income	\$ 53	<u>289</u>	<u>342</u>
CHANGE IN NET ASSETS	53	199,013	199,066
Total Net Assets – Beginning	<u>23,093</u>	(<u>154,830</u>)	(<u>131,737</u>)
Total Net Assets - Ending	<u>\$ 23,146</u>	<u>\$ 44,183</u>	<u>\$ 67,329</u>

The notes to the financial statements are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Unemployment Compensation</u>	<u>Solid Waste Enterprise</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Net Income (Loss)		\$ 198,724	\$ 198,724
Add depreciation		69,236	69,236
Net decrease in Due to Other Funds		(24,383)	(24,383)
Increase in accounts payable		<u>3,898</u>	<u>3,898</u>
Net Cash from Operating Activities		<u>247,475</u>	<u>247,475</u>
Cash Flows from Capital Financing Activities:			
Lease purchase principal payments		(86,861)	(86,861)
Cash Flows from Investing Activities:			
Interest received	\$ 53	<u>289</u>	<u>342</u>
Net Increase(Decrease) in Cash and Cash Equivalents	53	160,903	160,956
Cash and Cash Equivalents, Beginning of Year	<u>23,094</u>	<u>95,550</u>	<u>118,644</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,146</u>	<u>\$ 256,453</u>	<u>\$ 279,599</u>
Supplementary Disclosure:			
Cash and cash equivalents were classified as:			
Current Assets	<u>23,146</u>	<u>256,453</u>	<u>279,599</u>
Total	<u>\$ 23,146</u>	<u>\$ 256,453</u>	<u>\$ 279,599</u>

The notes to the financial statements are an integral part of this financial statement.

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

<u>ASSETS</u>	Cemetery <u>Trust</u>	School <u>Trust</u>	<u>Totals</u>
Cash	\$ 593		\$ 593
Investments	215,035	\$ 2,219,154	2,434,189
Interest receivable		18,934	18,934
Other receivables	175		175
Due from other funds	_____	_____	_____
Total Assets	<u>\$ 215,803</u>	<u>2,238,088</u>	<u>2,453,891</u>
 Liabilities:			
Due to other funds	<u>10,982</u>		<u>10,982</u>
Total Liabilities	<u>10,982</u>		<u>10,982</u>
 NET ASSETS:			
Reserved	<u>204,821</u>	<u>2,238,088</u>	<u>2,442,909</u>
NET ASSETS	<u>\$ 204,821</u>	<u>\$ 2,238,088</u>	<u>\$ 2,442,909</u>

The notes to the financial statements are an integral part of this financial statement

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yazoo City, Mississippi was incorporated in 1839. The City operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Yazoo conform to generally accepted accounting principles as applicable to governments, except as otherwise noted. For the fiscal year ended September 30, 2003 the City of Yazoo, Mississippi implemented the new financial reporting requirements of GASB Statements No. 34. As a result, an entirely new financial presentation format has been implemented. The following is a summary of the more significant policies.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Component units are reported in the City's financial statements as follows:

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The basic tenets of the Standards are as follows:

Discretely presented component units:

Public Service Commission. The Public Service Commission's Board of Commissioners is appointed by the City's Board of Aldermen. The legal liability for the general obligation portion of PSC debt remains with the City of Yazoo.

NOTES TO FINANCIAL STATEMENTS -CONTINUED
SEPTEMBER 30, 2009

Complete financial statements may be obtained from the Public Service Commission.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Schedule of Net Assets – The Schedule of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its directly presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Schedule of Net Assets and will report depreciation expense – the cost of "using-up" capital assets – in the Schedule of Activities. The net assets of a government will be broken down into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Schedule of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions in compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

B. Government-wide and fund financial statements

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

The basic financial statements include both government-wide (based on the City as a whole) and fund types (the total of all funds of a particular type). In the new reporting model, the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statement) categorize primary activities as either governmental

or business-type. In the government-wide Statement of Net Assets, both the governments and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction. The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works and recreation, etc.) which are otherwise being supported by general revenues (property, sales, and use taxes, certain intergovernmental revenues, fines permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, recreation, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation. The City's fiduciary funds are presented in the fund financial statements, by type (private purpose or agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts or balances, and changes therein, which are segregated for the purpose of carrying on

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into six generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds)

PROPRIETARY FUNDS

Enterprise Funds – The Unemployment Compensation Fund and the Solid Waste Enterprise Fund, account for the operations of the Enterprise Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. Consistent with GASB Statement No. 34, fiduciary funds have been reclassified into narrower categories than the previous reporting model. The fiduciary funds category includes Cemetery and school funds. The two types of trust funds should be used to report resources held in a fiduciary capacity for individuals or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that resources are held. All fiduciary funds are excluded from the government-wide basic financial statements as the resources are not available to support the government’s own programs. The previous reporting model divided public-purpose trusts as either expendable or nonexpendable. GASB Statement 34 mandates the treatment of what were previously reported as expendable trusts as special revenue funds and nonexpendable trusts as permanent funds. A further change is that agency funds that hold assets for the benefit of the government itself or other funds and not an outside party should not be reported as an agency fund, as the resources will be available to support the government’s programs, given certain time and purpose restrictions.

As part of the reporting model, the emphasis for the fund financial statements is on major funds within the governmental and proprietary funds types. The general fund is always to be reported as a major fund. Other major funds are determined annually based on the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type , and.**
- 2) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.**

For the current year, the City reports the following major governmental funds:

General Fund – to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

2002 General Obligation Bonds – to account for funds used to pave streets, acquire street paving equipment, and acquire land for a new street.

Debt service – to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Solid Waste Enterprise Fund – to account for the provision for garbage services to the residents of the City.

For the current year, the City reports the following major enterprise funds:

Public Service Commission – to account for the provision for water, electricity and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and debt related service, and billing and collection.

All nonmajor funds are reported in the aggregate on the fund financial statements.

C. Fixed Assets and Long-Term Liabilities

Capital outlays are reported as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements, to the extent the City’s capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is reported on general fixed assets on a government-wide basis. Capital outlays of Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market on the date donated. Of the \$7,757,692 value in retroactive infrastructure capitalized at September 30, 2003, the entire amount was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

In the government-wide financial statements, debt principal payments of both government and business activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of “available spendable resources.” Governmental fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent portions of long-term receivable due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and Pension Trust Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using straight line method. The estimated useful lives are as follows:

Buildings	33 1/3 – 60 years
Machinery and equipment	5 – 10 years
Vehicles	5 years
Improvements other than buildings	8 years
Water and sewer lines	10 – 80 years
Streets and other infrastructure	20 years

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis accounting relates to the timing of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales tax are considered “measurable when in the hands of intermediary collecting governments

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

and are recognized as revenue at that time.” Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, charges for services and federal programs on which the revenue is recognized when the expenditure has been incurred. Fines and permits are not susceptible to accrual because generally they are not recognized until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on general long-term debt which is recognized when due.

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

E. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. The budget, as submitted, is revised by the Mayor and Board of Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 15.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year.
6. The budgets are on a modified accrual basis. Revenues are recognized when receipted from October 1 through October 31. Expenditures are recognized when legally budgeted and disbursed throughout the fiscal year or within 30 days thereafter. However, expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time.

F. Encumbrance System

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

G. Cash and Investments

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes.

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Cash

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC), or any successors to such insurance corporations, must be collateralized in an amount equal to 105% of the uninsured amount.

Investments

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds.

Investments are stated at cost or amortized cost.

For the purpose of the statement of cash flows, the City considers all cash accounts (including restricted assets) to be cash.

H. Advances To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payments are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “Advances to other funds” or “Advances from other funds.”

I. Prepaid Expenses

Funds held by other government agencies for the City’s share of grant financed capital projects are recorded as prepaid expenses and recognized as expenditures when actual costs are incurred.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Payments made for services that will benefit periods beyond September 30, 2009 are recorded as prepaid expenses in the General Fund.

J. Inventory

Inventories of the Enterprise Fund are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory items are recorded as expenditures when consumed rather than when purchased.

K. Restricted Assets

Certain proceeds of the Enterprise Fund, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited. Cash and investments are set aside to refund customer meter deposits only in the event the customer ceases to be a user of the water system. No interest is paid on these deposits. Cash with fiscal agent is set aside with a third party paying agent to pay matured bonds and interest on the Public Service Commission's bond indebtedness. Revenue Bond Accounts are used for applicable bond covenants as follows:

The Cushion Account, Cash and Investments, is maintained as a contingent account for the Bond and Interest Account to meet any deficiency therein.

The Depreciation Account, Cash and Investments, is used to pay for the cost of replacing parts of the Utility System as may need replacement in order to keep the Utility System operating in an economical and efficient manner.

The Contingent Account, Cash and Investments, is used to pay for the cost of unforeseen contingencies arising in the operation and maintenance of the Utility System.

The Bond and Interest Account is used to pay for principal and interest on the Revenue Bonds.

The Construction Account, Cash and Investments, is used to pay for the costs of the Utility System Project and the Bond Issue.

L. Deferred Charge

In governmental fund types, bond issuance costs are recognized in the current period. Bond issue costs for proprietary fund types are deferred and amortized over the life of the bond issue.

M. Deferred Income

Deferred investment income is recorded and amortized over the life of the investment.

N. Compensation Absences

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

1. Vacation Days

The employees of the City of Yazoo receive no vacation the first year of employment. During the second through the tenth year of employment, the employee receives ten paid working days of vacation each year. During the eleventh through the fifteenth year of employment, the employee receives twelve paid working days of vacation each year. After fifteen years of employment, the employee receives fifteen paid working days of vacation each year. The employee receives no extra compensation for not taking vacation days. Vacation days not taken in a year can be carried forward to future years; however, no employee shall accumulate more than four times the annual vacation to which he is entitled. Unused vacation days are paid for upon termination of employment. Accumulated unpaid vacation days expenditures are not accrued when incurred in any funds.

2. Sick Days

After three months employment, an employee of the City of Yazoo accumulates three sick days. After the first three months of employment, the employee accumulates one sick day per month of employment till a maximum of one hundred twenty days are attained. For all employees, the department head at his discretion, can determine whether to charge the employees' first day of illness as a sick day or a vacation day. Unused sick days are lost upon termination of employment.

O. Fund Equity

Government-Wide Statements

In accordance with GAB Statement No. 34, equity is classified as net assets and displayed in three components:

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

Fund Statements

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. Following are the classifications of reserves used by the City:

Reserved – Restricted for a particular future use.

Reserved for debt service – As account that represents the fund balance for the debt service resources which are legally restricted for the payment of General Long-Term Debt principal and interest amounts maturing in future years.

Reserved for unemployment benefits – An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

P. Comparative Data

Comparative total data for the prior year have been presented in the accompanying combining financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Q. Concentrations of Credit Risk

All accounts receivable of the City are deemed collectible. However, financial instruments which potentially subject the Enterprise Fund to concentrations of credit risk consist of billed accounts receivable and unbilled costs. Billed accounts receivable and unbilled amounts due on services result primarily from customer services provided for utility sales, sewer charges and garbage collection. Customer services are disconnected and their consumer deposit surrendered once two months of non-payment occurs to limit the Enterprise Fund's credit risk to a minimal level. Historically, neither the City nor the Enterprise Fund has incurred any significant credit related losses.

R. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, interfund transfers have been eliminated to the extent possible.

NOTE 2 CASH, OTHER DEPOSITS, AND INVESTMENTS

Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss Code Ann. (1972). Under this program, the

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

entity'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.

The carrying amount of the City's deposits with financial institutions was \$1,979,121, and the bank balance was \$2,165,532.

Investments

Investments are stated at cost

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk, that in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party, The city does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2009, \$2,165,532 of the city's bank balance of \$2,165,532 was exposed to custodial credit risk.

NOTE 3 INTERFUND ASSETS/LIABILITIES

The following is a summary of interfund transactions. In accordance with GASB Statement No. 34, fiduciary funds are not considered internal funds and are therefore not included.

	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	\$ 228,612	\$ 410,027
Debt Service Fund	269,027	9,000
Go Bond Fund	<u>150,000</u>	_____
Total due to/due from governmental funds per		
Governmental Fund Balance Sheet	647,639	419,027
Enterprise Fund		217,631
Cemetery Fund		<u>10,981</u>
Totals	<u>\$ 647,639</u>	<u>\$ 647,639</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

NOTE 4 GENERAL FUND AND COMPONENT UNIT FIXED ASSETS

Capital Asset activity for the year ended September 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/09</u>
Capital Assets				
Land improvements and construction on properties	\$ 281,766	\$ 29,952		\$ 311,718
Infrastructure	8,115,337			8,115,337
Buildings	3,404,859	26,711		3,431,570
Equipment and furniture	<u>4,789,446</u>	<u>49,416</u>		<u>4,838,862</u>
Total Capital Assets	16,591,408	106,079		16,697,524
Total accumulated depreciation	<u>(8,958,814)</u>	<u>501,814</u>		<u>(9,460,628)</u>
Governmental activities capital Assets, net	<u>\$ 7,632,594</u>	<u>\$ 395,735</u>		<u>\$ 7,236,896</u>

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

Governmental activities:	
Supervision and Finance	\$ 13,421
Fire Department	70,029
Police Department	207,616
Street Department	36,073
Cemetery Department	13,825
Recreation Complex	33,618
Triangle	18,681
Infrastructure	39,315
Solid Waste	<u>69,236</u>
Total depreciation expense governmental activities and business type activities	<u>\$ 501,814</u>

Discretely presented component unit – Public Service Commission

Activity for the Public Service Commission for the year ended September 30, 2009 was as follows:

	<u>Balance</u> <u>10/1/08</u>	<u>Addition</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/09</u>
Capital Assets				
Electric plant in service	\$ 30,587,584	\$ 1,369,796	\$ 602,128	\$ 31,355,253
Water plant in service	9,118,442	447,024	302,529	9,262,936
Sewer plant in service	<u>8,952,914</u>	<u>148,760</u>	<u>36,129</u>	<u>9,065,544</u>
Total Capital Assets	48,658,940	\$ 1,965,580	\$ 940,786	\$ 49,683,733

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

(continued)	<u>Balance</u> <u>10/1/08</u>	<u>Addition</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/09</u>
Total Accumulated Depreciation	\$ 25,153,939	\$ 1,393,971	\$ 104,153	\$ 26,443,756
Total discretely presented component unit capital assets net	\$ 23,505,001	\$ 571,609	\$ 836,633	\$ 23,239,977

NOTE 5 LONG-TERM DEBT

Debt outstanding as of September 30, 2009 consists of the following:

<u>Description an Purpose</u>	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity Date</u>
Governmental Activities:			
General Obligation Bonds:			
Go Bonds 10/1/95	\$ 90,000	4.90-5.25	4/1/10
Go Bonds 4/1/97	150,000	4.70-5.50	4/1/12
Go Bonds 10/1/97	155,000	4.40-4.75	10/1/12
Go Bonds 10/28/02	900,000	3.90-4.30	11/1/17
Total General Obligation Bonds	<u>1295,000</u>		
Component Unit Activities:			
Revenue Bonds:			
Revenue Bonds 1995	\$ 1,805,000	4.20 – 5.90%	9/30/15
Total Revenue Bonds	<u>\$ 1,805,000</u>		

Annual debt service requirements to maturity for the following debt reported as governmental Activities are as follows:

Year Ending September 30	<u>General Obligation</u> <u>Bonds</u>	<u>Lease-Purchase</u> <u>Agreements</u>
2010	\$ 203,750	\$ 330,289
2011	348,538	461,066
2012	273,950	445,927
2013	123,075	118,663
2014	119,075	79,771
2015	114,963	62,226
2016	110,750	49,688
2017	106,450	20,702
2018	102,150	
Total	1,502,701	1,568,332
Less: Amounts representing interest	(207,701)	(107,426)
Total at present value	<u>\$ 1,295,000</u>	<u>\$ 1,460,906</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Annual debt service requirements to maturity for the following debt reported in the Component Unit are as follows:

Year Ending September 30	<u>Revenue Bonds</u>	<u>Lease-Purchase Agreements</u>
2010	\$ 365,700	\$ 104,885
2011	365,880	104,885
2012 and thereafter	<u>1,462,635</u>	<u>1,005,147</u>
Total	2194,215	1,214,917
Less: Amounts representing interest	<u>(389,215)</u>	<u>(327,132)</u>
Total at Present Value	<u>\$ 1,805,000</u>	<u>\$ 887,785</u>

The following changes occurred in liabilities at year end:

<u>Description</u>	<u>Balance at October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2009</u>
Governmental Activities:				
General obligation bonds	\$ 1,510,000		\$ 215,000	\$ 1,295,000
Capital leases	1,808,471		347,565	1,460,906
Compensated absences	<u>20,000</u>		_____	<u>20,000</u>
Total	<u>\$ 3,338,471</u>		<u>\$ 532,565</u>	<u>\$ 2,775,906</u>
Component Unit Activities:				
Revenue bonds	\$ 2,050,000		\$ 245,000	\$ 1,805,000
Capital leases	<u>940,426</u>		<u>52,641</u>	<u>887,785</u>
Total	<u>\$ 2,990,426</u>		<u>\$ 297,641</u>	<u>\$ 2,692,785</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

SEPTEMBER 30, 2009

LIMITATIONS AND RESTRICTIONS

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The following is a schedule of limitation of the bonded indebtedness of the City at September 30, 2009:

Assessed valuation for fiscal year ended September 30, 2009	\$ 44,638,191
Percent Limitation	<u>15%</u>
Authorized debt limit	\$ 6,695,729
Percent debt service subject to 15% limitation	<u>\$ 1,295,000</u>
Margin for further indebtedness under 15% limitation	<u>\$ 5,400,729</u>

The following is a schedule of limitations of all bonded indebtedness and lease purchases of the City at September 30, 2009:

Assessed valuation for fiscal year ended September 30, 2009	\$ 44,638,191
Percent Limitation	<u>20%</u>
Authorized debt limit	\$ 8,927,638
Percent debt service subject to 20% limitation	<u>\$ 3,195,263</u>
Margin for further indebtedness under 20% limitation	<u>\$ 5,732,375</u>

NOTE 6 OBLIGATION UNDER CAPITAL LEASES

The City has adopted the policy of acquiring certain fixed assets through the use of lease-purchase agreements. For the lease-purchases backed by the full faith and credit of the City, debt service is accounted for as a Governmental Activity.

Capital Leases Payable:

<u>Lessor</u>	<u>Capital Asset</u>	<u>Principal Balance</u>
Capital Improvements		
Revolving Loan		
Program	Triangle Roof	\$ 150,232
First Security Bank	Police Dept. Bldg.	300,000
Trustmark Bank	Ten Police cars	195,965
MS Development Authority	Fire Truck	356,442
Bankcorp South		
Equipment Finance	Lease 580 Back Hoe	12,815
Bankcorp South Equipment		78,430
Finance		
BBI, Inc.	Eligin Pelican Sweeper	
	Computer Hardware and	
	Software	7,931
Trustmark Bank	4300 Garbage Containers	100,118
Trustmark Bank	Garbage Truck	83,709

NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

Capital Leases Payable: (continued)

<u>Lessor</u>	<u>Capital Asset</u>	<u>Principal Balance</u>
Trustmark Bank	Two Garbage Trucks	\$ 124,433
Trustmark Bank	Fire Department Breathing Apparatus	<u>50,831</u>
Total		<u>\$ 1,460,906</u>

On April 15, 2001 the Public Service Commission (Lessee) entered into an equipment lease-purchase agreement with Trustmark National Bank (Lessor) for the purchase of heat recovery steam system generator

Capital Leases Payable:

<u>Lessor</u>	<u>Equipment</u>	<u>Yearly Principal and Inerest Payment</u>	<u>9/30/09 Principal Balance</u>
Trustmark National Bank	Heat Recovery Steam Generator	\$104,885	\$887,785

NOTE 7 PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and payable on or before February 1. All property taxes are collected and remitted to the City by the county tax collector. The millage rate for the City was 116 mills, broken down as follows:

General Fund	56.44
General Fund – Library	1.13
General Fund – Parks and Recreation	2.75
General Fund – Retirement	5.42
Sinking Fund – Bond and Interest	8.00
School Fund	29.90
School Negotiable Notes	3.00
School Interest and Bonds	<u>9.36</u>
Total Millage	<u>116.00</u>

Restrictions associated with property tax levies as established by state law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which resulted from those levies assessments of the previous year.

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

NOTE 8 RETIREMENT COMMENTS

A. Suspended Retirement Plan

On July 1, 1987, the City of Yazoo transferred all investments in the Firemen and Policemen's Trust Fund totaling \$151,411 to the Public Employee's Retirement System (PERS). People formerly covered under the suspended retirement plan of the City of Yazoo became covered by the Public Employee's Retirement system effective July 1, 1987. 10% of the payments to the beneficiaries of the former suspended retirement plan are deducted and forwarded to the PERS. For the period ended, September 30, 2009 \$241,939 (5.42 mills) was levied on property taxes for the suspended retirement plan.

B. Defined Benefit Pension Plan

Plan Description

The City of Yazoo contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement

System, PERS Building, 429 Mississippi Street, Jackson MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City of Yazoo is required to contribute at an actuarially determined rate. The employer rate was 11.85% from October 1, 2008 to June 30, 2009 of annual covered payroll. The rate from July 1, 2009 through September 30, 2009 was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Yazoo's contributions to PERS for the years ending September 30, 2009, 2008, and 2007 were \$351,486, \$430,115 and \$367,295, respectively, equal to the required contributions for each year.

NOTE 9 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- A. There were no deficit fund balances of any individual funds.

Enterprise Fund

Solid Waste Management Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

The operating income for the fiscal year ended 9/30/09 was \$198,724.

NOTE 10 RISK MANAGEMENT

Contingent Liabilities

The City is aware of five pending or threatened litigation, claims or assessments. Two complaints have been filed with the EEOC (U.S. Equal Employment Commission). The City's legal representatives are reviewing the complaints. The City is unaware of any other unasserted possible claims or assessments.

NOTE 11 OTHER DISCLOSURES

Commitments

On October 4, 1985, the City of Yazoo approved the sale of the 1,763 acre Crump Estate for \$1,351,000. This \$1,351,000 was combined with other Crump Fund investments to establish a perpetual trust consisting of U. S. Government securities. Two-thirds of the annual interest of the trust is to be delivered to the Yazoo City Municipal Separate School District and one-third is to be retained by the corpus of the trust.

NOTE 12 RELATED ORGANIZATION

The Yazoo City Housing Authority is a related organization of the City of Yazoo. All five of its board members are appointed by the City. However, the City is not able to impose its will upon the Housing Authority's Board and there is no financial benefit/burden relationship.

NOTE 13 JOINT VENTURE

The City participates in the following joint venture:

Yazoo City is a participant with Yazoo County in a joint venture, authorized by Senate Bill 2954, Laws of 1979, to operate the Yazoo Recreation Commission. The joint venture was created to manage recreation facilities in both the city and county and is governed by a twelve-member board, with five members appointed by Yazoo City, five members appointed by the Yazoo County Board of Supervisors, one member by the Yazoo City Municipal School District, and one member by the Yazoo County School District. By contractual agreement, the city's appropriation to the joint venture was \$98,701 in fiscal year 2009. Complete financial statements for the Yazoo Recreation Commission can be obtained from Yazoo Recreation Commission, P. O. Box 9, Yazoo City, MS 39194

NOTE 14 CHANGES IN ACCOUNTING STANDARDS

As required, the city has implemented Government Accounting Standards Board (GASB) statement No. 40, *Deposit and Investment Risk Disclosures-an-amendment of GASB Statement No. 3* for the current fiscal year. The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

NOTE 15 SHORT-TERM DEBT

The City of Yazoo owes the PSC \$500,000 payable on March 15, 2010 with current rate interest charged.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL – GENERAL FUND
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 2,915,935	\$ 2,899,935	\$ 3,297,301	\$ 397,366
Licenses and permits	43,000	43,000	86,961	43,961
Intergovernmental revenue	1,945,560	1,865,560	1,947,524	81,964
Charges for services	255,172	243,172	228,985	(14,187)
Fines	400,000	400,000	369,701	(30,299)
Miscellaneous	<u>368,190</u>	<u>368,190</u>	<u>352,628</u>	<u>(15,562)</u>
Total Revenues	<u>5,927,857</u>	<u>5,819,797</u>	<u>6,283,100</u>	<u>463,303</u>
Expenditures:				
Supervision and finance	966,640	1,141,817	1,124,282	17,535
Fire Department	1,438,640	1,486,080	1,451,243	34,837
Police Department	2,031,007	2,086,157	1,998,695	87,462
Street Department	658,298	658,298	657,618	680
Instructional and recreational	419,742	419,742	220,237	199,505
Cemetery Department	94,351	98,451	94,638	3,813
Recreation Complex		61,437	60,853	584
Triangle Center	76,087	76,087	74,196	1,891
Building and zoning	<u>93,810</u>	<u>93,810</u>	<u>83,698</u>	<u>10,112</u>
Total Expenditures	<u>5,778,575</u>	<u>6,121,879</u>	<u>5,765,460</u>	<u>356,419</u>
Excess Revenues (Expenditures)	<u>149,282</u>	<u>(302,082)</u>	<u>517,640</u>	<u>819,722</u>
Other financing sources and uses				
Proceeds of notes			500,000	
Payment of note			(500,000)	
Reimbursement of Yazoo Housing Authority in-lieu taxes			(16,333)	
Transfers in			500,865	
Transfers out			<u>(26)</u>	
Total other financing sources and uses			<u>484,506</u>	
Net change in fund balance			1,002,146	
Fund Balance, 10/01/08			<u>(631,669)</u>	
Fund Balance 09/30/09			<u>\$ 370,477</u>	

The notes to the financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental			\$ 14,500	\$ 14,500
Miscellaneous	\$ 120	\$ 120	140	20
TOTAL REVENUES	<u>120</u>	<u>120</u>	<u>14,640</u>	<u>14,520</u>
Expenditures:				
Miscellaneous	<u>30,600</u>	<u>32,900</u>	<u>26,692</u>	<u>6,208</u>
TOTAL EXPENDITURES	<u>30,600</u>	<u>32,900</u>	<u>26,692</u>	<u>6,208</u>
EXCESS REVENUES (EXPENDITURES)	(30,480)	<u>(32,780)</u>	(12,052)	20,728
Transfers Out			(865)	
Transfers In			26	
Fund Balance, 10/1/08			<u>62,849</u>	
Fund Balance, 9/30/09			<u>\$ 49,958</u>	

The notes to the financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 379,042	\$ 379,042	\$ 357,854	\$(21,188)
Miscellaneous	<u>1,600</u>	<u>1,600</u>	<u>537</u>	<u>(1,063)</u>
TOTAL REVENUES	<u>380,642</u>	<u>380,642</u>	<u>358,391</u>	<u>(22,251)</u>
Expenditures:				
Debt retirement:				
Principal retirement	308,000	308,000	280,000	28,000
Interest charge	65,000	65,000	69,585	(4,585)
Bank fees	<u>7,642</u>	<u>7,642</u>	<u>4,716</u>	<u>2,926</u>
TOTAL EXPENDITURES	<u>380,642</u>	<u>380,642</u>	<u>354,301</u>	<u>26,341</u>
EXCESS REVENUE (EXPENDITURES)			4,090	4,090
Fund Balance, 10/1/08			<u>498,119</u>	
Fund Balance, 9/30/09			<u>\$ 302,209</u>	

The notes to the financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND – 2002 GO BONDS (STREETS)
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest			\$ <u>45</u>	\$ <u>45</u>
TOTAL REVENUES			<u>45</u>	<u>45</u>
Expenditures:				
Capital outlay	<u>-0-</u>	<u>17,000</u>		
TOTAL EXPENDITURES	<u>-0-</u>	<u>17,000</u>		
EXCESS REVENUES (EXPENDITURES)			45	45
Fund Balance, 10/1/08			<u>168,177</u>	
Fund Balance, 9/30/09			<u>\$ 168,222</u>	

The notes to the financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – TRUST FUNDS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest on investments	\$ 160	\$ 160	\$ 82,093	\$ 81,933
Receipts for perpetual care	<u>8,400</u>	<u>8,400</u>	<u>8,218</u>	<u>(182)</u>
TOTAL REVENUES	<u>8,560</u>	<u>8,560</u>	<u>90,311</u>	<u>81,751</u>
Expenditures:				
Miscellaneous	2,560	8,210	4,005	4,205
Equipment	<u>6,000</u>	<u>52,200</u>	<u>78,813</u>	<u>(26,613)</u>
TOTAL EXPENDITURES	<u>8,560</u>	<u>60,410</u>	<u>82,818</u>	<u>(22,408)</u>
EXCESS REVENUES (EXPENDITURES)		<u>(51,850)</u>	7,493	59,343
Fund Balance. 10/1/08			<u>2,435,419</u>	
Fund Balance, 9/30/09			<u>\$ 2,442,912</u>	

The notes to the financial statements are an integral part of this statement

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
OCTOBER 1, 2007 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/2009</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
TOTAL REVENUES	<u>\$ 5,528,597</u>	<u>\$ 5,819,797</u>	<u>\$ 6,283,100</u>	<u>\$ 5,916,534</u>
<u>EXPENDITURES</u>				
Supervision and Finance	966,640	1,141,817	1,124,282	941,360
Fire Department	1,438,640	1,486,080	1,451,243	1,527,279
Police Department	2,031,007	2,086,157	1,998,695	2,726,099
Street Department	658,298	658,298	657,618	873,349
Instructional and Recreational	419,742	419,742	220,237	166,866
Cemetery Department	94,351	98,451	94,638	172,374
Recreation Complex	-0-	61,437	60,853	99,198
Triangle Center	76,087	76,087	74,196	90,830
Building and Zoning	<u>93,810</u>	<u>93,810</u>	<u>83,698</u>	<u>100,666</u>
TOTAL	<u>5,778,575</u>	<u>6,121,879</u>	<u>5,765,460</u>	<u>6,698,021</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$(249,978)</u>	<u>\$(302,082)</u>	<u>\$ 517,640</u>	<u>\$(781,487)</u>

GENERAL FUND
STATEMENT OF REVENUES
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2007/08</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Advalorem taxes	\$ 2,486,935	\$ 2,470,935	\$ 2,845,803	\$ 2,354,540
Advalorem taxes – motor vehicles	418,000	418,000	447,832	403,335
Privilege licenses	25,000	25,000	36,827	23,785
Building permit fees	10,000	10,000	40,684	10,124
Police fines	400,000	400,000	369,701	376,525
Gasoline tax revenue from state	13,000	13,000	13,113	13,113
Payment in lieu of taxes – Housing Authority				16,337
Cemetery fees	38,472	26,472	34,247	41,160
Sale of cemetery lots	7,500	7,500	6,362	5,400
Road tax from County	36,000	36,000	31,468	37,300
Sales tax	1,740,000	1,660,000	1,690,057	1,773,646
Interest on advalorem taxes				
Tax on public utility retail sales	175,000	175,000	153,223	154,651
Sundry other receipts	164,950	164,950	84,897	122,296
Interest on general fund investments	3,000	3,000	6,077	8,103
Mississippi revolving fund	7,500	7,500	7,584	7,584
State distribution of fire insurance	75,000	75,000	76,884	75,358
Interest on cemetery securities				3,250
State – Federal programs			11,500	6,338
Recreation				
Rents	25,000	24,200	23,090	26,323
E-911 from County			15,000	65,000
Homestead exemption	190,000	190,000	174,890	172,367
Reimbursement for PD training	6,000	6,000	6,500	7,694
State public safety	1,500	1,500		1,657

GENERAL FUND
STATEMENT OF REVENUES
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

(continued)	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Nuclear plant	\$ 33,000	\$ 33,000	\$ 18,710	\$ 32,570
Rail car tax	11,000	11,000	3,666	3,304
Interest- fire special	20	20	4	19
Cellular South rent	10,000	10,000	12,063	9,527
Interest – PD special			4	20
ABC receipts	8,000	8,000	9,450	9,225
DOT revenue	41,000	41,000	38,888	41,405
Homeland security			4,742	12,479
Rent – building				2,000
Concession stand receipts				1,200
Interest – Dept. of Justice Grant				2,302
Donations to Campanela Park				948
Revenues – Dept. Of Justice			208	93,000
Donations – police dept.				1,334
Interest – police dept.	20	20		1,065
Donations – fire dept.			241	250
Grant- Council on aging			5,000	
Grant – Fire Department			34,154	
Recovery			80,231	
County Fire Marshall	<u>2,700</u>	<u>2,700</u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 5,928,57</u>	<u>\$ 5,819,797</u>	<u>\$ 6,283,100</u>	<u>\$ 5,916,534</u>

GENERAL FUND
EXPENDITURES – SUPERVISION AND FINANCE
OCTOBER 1, 2008 TO SEPTMBER 30, 2009

	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Salaries – mayor and pro tem	\$ 61,000	\$ 61,000	\$ 61,667	\$ 70,100
Salaries – aldermen	66,100	66,100	62,827	74,226
Salaries – city clerk and assistants	131,000	131,000	108,742	159,114
Salary – city attorney	11,340	11,340	11,239	12,391
Salary – mayor’s secretary	29,700	29,700	23,094	29,192
Salary – building inspector			4,274	
Miscellaneous			19,429	31,690
Office supplies	7,000	7,000	8,102	7,247
Telephone	12,000	12,000	12,482	13,112
Advertising and publishing	15,000	15,000	11,632	14,484
Insurance – all departments	426,000	526,000	552,897	300,973
Social security tax	23,000	23,000	18,808	23,241
Retirement	35,500	35,500	30,540	39,595
Auditing	12,000	24,000	24,000	
Unemployment compensation	2,000	14,000	12,209	192
Computer	15,000	15,000	17,326	28,034
Election			1,370	
Municipal convention			1,395	
Travel	20,000	20,000	12,979	21,415
Health Insurance	23,500	23,500	18,675	22,561
Postage	1,500	3,900	3,879	1,019
Cleaning and sanitation	1,500	1,500	1,489	1,049
Gas and oil	2,500	2,500	2,566	6,083
Building materials	-0-	1,000	822	7
Engineering	35,000	36,000	28,886	37,283
Utilities – gas	6,000	6,000	5,189	5,327
Demolition			(300)	
Consultants	30,000	52,487	37,876	38,093
Interest expense			4,842	4,932
E-11 dispatchers	-0-	25,000	25,000	
Summer youth program	-0-	290	287	
Machinery and equipment			59	
Total	<u>\$ 966,640</u>	<u>\$ 1,141,817</u>	<u>\$ 1,124,282</u>	<u>\$ 941,360</u>

GENERAL FUND
EXPENDITURES – FIRE DEPARTMENT
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Salaries and wages	\$ 915,500	\$ 915,500	\$ 937,565	\$ 984,261
Telephone	12,000	12,000	14,427	12,239
Gas and oil	25,000	25,000	13,285	25,619
Miscellaneous	5,000	5,000	9,168	9,314
Equipment maintenance	15,000	15,000	8,799	11,232
Uniforms	8,000	8,000	1,929	8,685
Social security tax	70,050	70,050	67,816	71,172
Retirement	108,490	108,490	103,691	108,059
Station upkeep and maintenance	4,000	4,000	3,458	3,653
Utilities	4,000	4,000	3,885	3,163
Radio repair and maintenance	1,000	1,000	582	402
Equipment and improvements	49,688	49,688	45,547	60,628
Retirement contribution	102,000	137,900	149,831	85,889
Fire prevention	2,000	2,000	300	3,011
Training	3,000	3,000	4,614	3,156
Health Insurance	87,100	87,100	56,279	70,935
Fire rebate	25,312	25,312	25,551	64,361
Special Expense	1,500	1,500		1,500
Grant – DHS	<u>-0-</u>	<u>11,540</u>	<u>4,516</u>	
Total	<u>\$ 1,438,640</u>	<u>\$ 1,486,080</u>	<u>\$ 1,451,243</u>	<u>\$ 1,527,279</u>

GENERAL FUND
EXPENDITURES – POLICE DEPARTMENT
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	Original Budget <u>2008/09</u>	Final Budget <u>2008/09</u>	Actual <u>2008/09</u>	Actual <u>2007/08</u>
Salaries	\$ 1,086,907	\$ 1,086,907	\$ 1,041,911	\$ 1,385,266
Auto expense	80,000	80,000	22,624	59,770
Miscellaneous	20,000	20,000	9,287	30,434
Telephone	20,000	20,000	26,840	26,919
Electricity – street lights			100	400
Uniforms	6,000	6,000	3,113	6,069
Radio repair and maintenance	2,000	2,000	1,018	2,472
Social Security tax	86,500	86,500	84,809	111,499
Retirement	129,000	129,000	129,497	172,997
Utilities – police station	1,000	1,000	1,283	1,016
Youth counsel			616	4,035
City judge	5,000	5,000		20,000
Indigent lawyer	48,600	48,600	50,220	53,100
Feeding city prisoners	60,000	60,000	17,838	59,824
City retirement contributions	102,000	102,000	149,832	85,890
Vehicle repairs	25,000	25,000	25,049	20,685
Station upkeep and maintenance	3,000	23,000	25,634	3,687
Prosecutor	24,300	24,300	24,081	26,549
Charges for prisoners	5,000	5,000	8,058	11,840
Machinery and equipment			10,080	17,856
Health Insurance	101,600	101,600	97,706	118,317
Office supplies	8,000	8,000	8,432	9,932
Postage	200	200	22	106
Cleaning supplies	1,500	1,500	993	1,568
Home security grant				10,599
Crime lab	4,000	4,000	3,550	3,541
Training	2,000	17,000	20,157	8,780
Advertisement and promotion	2,000	2,000		1,321
Dept. of Justice grant	-0-	15,150	10,067	247,959
Lease-purchase- cars	36,000	36,000	38,962	52,855
Building payment	170,000	170,000	166,200	170,033
Special expenses	400		181	780
Hospital and medical	1,000	1,000	15,554	
Grant – Council on aging	<u>-0-</u>	<u>5,000</u>	<u>4,981</u>	<u> </u>
Total	<u>\$ 2,031,007</u>	<u>\$ 2,086,757</u>	<u>\$ 1,998,695</u>	<u>\$ 2,726,099</u>

GENERAL FUND
EXPENDITURES – BUILDING AND ZONING
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Salaries	\$ 68,700	\$ 68,700	\$ 65,578	\$ 71,151
Retirement matching	8,200	8,200	5,183	8,119
Social security matching	5,300	5,300	5,004	5,242
Health insurance	5,810	5,810	3,357	5,413
Office supplies	200	200	264	158
Fuel, oil and lubricants	1,500	1,500	1,791	8,021
Planning commission salary	1,500	1,500	1,200	1,050
Communication – telephone	600	600	313	585
Clothing	1,000	1,000		695
Vehicle repairs and supplies	<u>1,000</u>	<u>1,000</u>	<u>1,008</u>	<u>232</u>
Total	<u>\$ 93,810</u>	<u>\$ 93,810</u>	<u>\$ 83,698</u>	<u>\$ 100,666</u>

GENERAL FUND
EXPENDITURES – STREET DEPARTMENT
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Salaries and wages	\$346,678	\$346,678	\$ 346,618	\$ 479,884
Miscellaneous	10,000	10,000	16,809	41,429
Equipment maintenance	45,000	45,000	55,236	40,230
Gas and oil	50,000	50,000	81,164	98,686
Social Security tax	26,525	26,525	25,515	35,957
Retirement	41,100	41,100	35,342	48,761
Water and electricity – city barn	5,000	5,000	3,219	4,286
Telephone	500	500	1,703	549
Uniforms	7,000	7,000	10,807	7,872
Feed and supplies – animals	2,000	2,000	775	2,156
Mosquito control	10,000	10,000		10,332
Health Insurance	46,445	46,445	35,616	48,297
Asphalt	15,000	15,000	8,624	13,333
Street lights	1,600	1,600	2,108	1,260
Demolition	10,000	10,000		
Truck loan	7,630	7,630		7,440
Street sweeper	29,000	29,000	28,458	28,458
Back hoe	<u>4,820</u>	<u>4,820</u>	<u>5,624</u>	<u>4,419</u>
Total	<u>\$ 658,298</u>	<u>\$ 658,298</u>	<u>\$ 657,618</u>	<u>\$ 873,349</u>

GENERAL FUND
EXPENDITURES – INSTRUCTIONAL AND RECREATIONAL
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/09</u>	<u>Final Budget 2008/09</u>	<u>Actual 2008/09</u>	<u>Actual 2007/08</u>
Yazoo Library Association	\$ 51,000	\$ 51,000	\$ 51,000	\$61,860
Yazoo County Chamber of Commerce	30,000	30,000	23,529	12,040
Central Miss. Development District	4,742	4,742	4,742	4,742
Yazoo Recreation Commission	120,000	120,000	98,701	87,445
Mississippi Municipal Association	5,000	5,000	4,665	
Other donations			100	
School building – Boys and Girls Club	11,000	11,000		779
Main Street	8,000	8,000		
E-911	<u>190,000</u>	<u>190,000</u>	<u>37,500</u>	<u> </u>
Total	<u>\$ 419,742</u>	<u>\$ 419,742</u>	<u>\$ 220,237</u>	<u>\$ 166,866</u>

EXPENDITURES – CEMETERY DEPARTMENT
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/2009</u>	<u>Final Budget 2008/2009</u>	<u>Actual 2008/2009</u>	<u>Actual 2007/2008</u>
Salaries and wages	\$ 54,540	\$58,640	\$ 63,708	\$ 118,397
Social Security tax	4,175	4,175	3,398	8,875
Retirement	5,200	5,200	5,308	9,962
Machinery and equipment	2,000	2,000	1,656	1,071
Fuel, oil and lubricants	7,000	7,000	2,507	8,895
Uniforms	800	800	1,161	1,034
Health Insurance	5,806	5,806	5,698	7,862
Equipment repairs	7,000	7,000	5,076	8,311
Miscellaneous	200	200	3,126	347
Truck loan	<u>7,630</u>	<u>7,630</u>	<u> </u>	<u>7,440</u>
Total	<u>\$ 94,351</u>	<u>\$ 98,451</u>	<u>\$ 91,638</u>	<u>\$ 172,374</u>

GENERAL FUND
EXPENDITURES – RECREATION COMPLEX
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/2009</u>	<u>Final Budget 2008/2009</u>	<u>Actual 2008/2009</u>	<u>Actual 2007/2008</u>
Salaries and Wages	\$ -0-	\$ 57,351	\$ 49,940	\$ 52,940
Retirement Matching			2,674	3,746
Social Security Matching			3,112	4,050
Supplies – Pool				2,341
Supplies - Driving Range				1,010
Fuel, Oil & Lubricants		3,743	908	14,793
Building Materials			1,087	1,523
Vehicle Repairs & Supplies			628	9,144
Miscellaneous – Other			325	5,262
Communications		343	343	788
Health Insurance			1,625	2,692
Food for resale				728
Clothing – uniforms	_____	_____	<u>211</u>	<u>181</u>
Total	<u>\$ -0-</u>	<u>\$ 61,437</u>	<u>\$ 60,853</u>	<u>\$ 99,198</u>

GENERAL FUND
EXPENDITURES – TRIANGLE CENTER
OCTOBER 1, 2008 TO SEPTEMBER 30, 2009

	<u>Original Budget 2008/2009</u>	<u>Final Budget 2008/2009</u>	<u>Actual 2008/2009</u>	<u>Actual 2007/2006</u>
Salaries & Wages	\$ 25,200	\$ 25,200	\$ 23,257	\$ 33,216
Retirement Matching	3,000	3,000	2,756	3,936
Social Security Matching	2,000	2,000	1,779	2,541
Bldg. Material & Supplies	3,000	3,000	5,568	5,471
Communications – Telephone	2,700	2,700	2,249	2,783
Utilities - Gas	6,000	6,000	5,410	5,705
Miscellaneous Other	500	500	1,845	970
Machinery and equipment	30,084	30,084	27,577	32,590
Cleaning Supplies	700	700	556	830
Health Insurance	<u>2,903</u>	<u>2,903</u>	<u>3,199</u>	<u>2,788</u>
Total	<u>\$ 76,087</u>	<u>\$ 76,087</u>	<u>\$ 74,196</u>	<u>\$ 90,830</u>

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS – SEPTEMBER 30, 2009

	<u>Downtown Grant</u>	<u>NARC Special</u>	<u>Home Grant</u>	<u>Building Fund For The Arts</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash	<u>\$ 43,728</u>	<u>\$ 4,664</u>	<u>\$ 5</u>	<u>\$ 1,566</u>	<u>\$ 49,963</u>
Total Assets	<u>43,728</u>	<u>4,664</u>	<u>5</u>	<u>1,566</u>	<u>49,963</u>
<u>FUND EQUITY</u>					
Fund Equity: Unreserved, Undesignated	<u>43,728</u>	<u>4,664</u>	<u>5</u>	<u>1,566</u>	<u>49,963</u>
Total Liabilities and Fund Equity	<u>\$ 43,728</u>	<u>\$ 4,664</u>	<u>\$ 5</u>	<u>\$ 1,566</u>	<u>\$ 49,963</u>

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>NARC Special</u>	<u>Summer Feeding Program</u>	<u>Emergency Shelter Grant</u>	<u>Building Fund For The Arts</u>	<u>Kids Town</u>	<u>Total</u>
Revenues:						
Intergovernmental					\$ 14,500	\$ 14,500
Miscellaneous	\$ 13			\$ 6	<u> </u>	<u>140</u>
TOTAL REVENUES	<u>13</u>			<u>6</u>	<u>14,500</u>	<u>14,640</u>
Expenses:						
Miscellaneous	<u>875</u>			<u>1,028</u>	<u>14,500</u>	<u>26,692</u>
TOTAL EXPENSES	<u>875</u>			<u>1,028</u>	<u>14,500</u>	<u>26,692</u>
EXCESS REVENUE (EXPENSES)	(862)			(1,022)	-0-	(12,052)
Transfers Out		\$(553)	\$(312)			(865)
Transfers In					26	26
Fund Balance, 10/1/08	<u>5,526</u>	<u>553</u>	<u>312</u>	<u>2,588</u>	(26)	<u>62,849</u>
Fund Balance, 9/30/09	<u>\$ 4,664</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,566</u>	<u>\$ -0-</u>	<u>\$ 49,958</u>

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Downtown</u> <u>Grant</u>
<u>Revenues:</u>	
Intergovernmental	
Miscellaneous	<u>\$ 121</u>
TOTAL REVENUES	<u>121</u>
<u>Expenses:</u>	
Miscellaneous	<u>10 289</u>
TOTAL EXPENSES	<u>10 289</u>
EXCESS REVENUE (EXPENSES)	(10,168)
Fund Balance 10/1/08	<u>53,896</u>
Fund Balance 9/30/09	<u>\$ 43,728</u>

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS – SEPTEMBER 30, 2009

<u>ASSETS</u>	<u>Sinking Fund</u>	<u>Totals</u>
Cash	\$ 227,346	\$ 227,346
Due from other funds	<u>269,027</u>	<u>269,027</u>
Total Assets	<u>496,373</u>	<u>496,373</u>
 <u>LIABILITIES</u>		
Due to Other Funds	9,000	9,000
Unredeemed Bond Payable	<u>55,164</u>	<u>55,164</u>
Total Liabilities	<u>64,164</u>	<u>64,164</u>
 <u>FUND EQUITY</u>		
Fund Equity:		
Designated for debt service	<u>432,209</u>	<u>432,209</u>
Total Fund Equity	<u>432,209</u>	<u>432,209</u>
Total Liabilities and Fund Equity	<u>\$ 496,373</u>	<u>\$ 496,373</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES
DEBT SERVICE FUNDS – FISCAL YEAR ENDING SEPTEMBER 30, 2009**

	<u>Sinking</u>	<u>Totals</u>
Revenues:		
Taxes	\$ 357,854	\$ 357,854
Interest	<u>537</u>	<u>537</u>
TOTAL REVENUES	<u>358,391</u>	<u>358,391</u>
Expenses:		
Debt service:		
Principal retirement	280,000	280,000
Interest charge	69,585	69,585
Bank fees	<u>4,716</u>	<u>4,716</u>
TOTAL EXPENSES	<u>354,301</u>	<u>354,301</u>
EXCESS REVENUES (EXPENSES)	4,090	4,090
Fund Balance, 10/1/08	<u>428,119</u>	<u>428,119</u>
Fund Balance. 9/30/09	<u>\$ 432,209</u>	<u>\$ 432,209</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
ACTUAL – CAPITAL PROJECTS FUND – 2002 GO BONDS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Actual</u>
Revenues:	
Interest	<u>\$ 45</u>
TOTAL REVENUES	<u>45</u>
Expenditures:	
Capital outlay	
TOTAL EXPENDITURES	
EXCESS REVENUES (EXPENDITURES)	45
Fund Balance, 10/1/08	<u>168,177</u>
Fund Balance, 9/30/09	<u>\$ 168,222</u>

The notes to the financial statements are an integral part of this statement

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES
TRUST FUNDS – FISCAL YEAR ENDING SEPTEMBER 30, 2009

	<u>Cemetery</u> <u>Trust</u>	<u>School</u> <u>Trust</u>	<u>Totals</u>
Revenues:			
Interest on investments	\$ 3,909	\$ 78,184	\$ 82,093
Receipts for perpetual care	<u>8,218</u>	<u> </u>	<u>8,218</u>
TOTAL REVENUES	<u>12,127</u>	<u>78,184</u>	<u>90,311</u>
Expenses:			
Miscellaneous	4,005		4,005
Equipment and capital purchases	<u>78,813</u>		<u>78,813</u>
TOTAL EXPENSES	<u>82,818</u>		<u>82,818</u>
EXCESS REVENUES (EXPENSES)	(70,691)	78,184	7,493
Fund Balance, 10/1/08	<u>275,512</u>	<u>2,159,907</u>	<u>2,435,419</u>
Fund Balance, 9/30/09	<u>\$ 204,821</u>	<u>\$ 2,238,091</u>	<u>\$ 2,442,912</u>

The notes to the financial statements are an integral part of this statement

LONG-TERM DEBT
SEPTEMBER 30, 2009

A. The following is a description of the individual bond issues:

1. **\$1,000,000 10/1/95 General Obligation Public Improvement bonds issued for the following purposes:**
 - (1) **\$400,000 for the repair and paving of streets and drainage structures and facilities.**
 - (2) **\$300,000 for the construction of one or more recreation complexes, including without limitation, a swimming pool, a golf driving range, baseball and softball fields, and land and facilities there for.**
 - (3) **\$200,000 for repairing and improving municipal buildings and for the purchase of land for public parking facilities for the municipality.**
 - (4) **\$100,000 for the purchase of equipment for the maintenance department of the municipality, which equipment is expected to have a useful life in excess of 15 years.**

2. **\$750,000 4/1/97 General Obligation Public Improvement bonds issued for the following purposes:**
 - (1) **The construction of a public playground and recreational complex to be located on a portion of the former Yazoo City Municipal Airport property which complex shall include a swimming pool with related dressing rooms, support facilities and equipment, a walking/jogging track, four ball fields for softball and/or baseball along with related support facilities and equipment such as lights and scorer and announcing facilities, one or more basketball courts, and a golf driving range and support buildings and related facilities and equipment and one or more concession stands to serve the public playground and recreational complex along with any and all related infrastructure such as water, electricity and sewage service, roads and paths, fencing, lighting facilities and parking areas.**

LONG-TERM DEBT
SEPTEMBER 30, 2009

3. **\$1,000,000 10/1/97 General Obligation Public Improvement bonds issued for the following purposes:**
 - (1) **\$600,000 for construction of new streets and the repair, paving, and improvement of existing streets within the municipality.**
 - (2) **\$250,000 for the repair and improvement of a portion of the wastewater and storm drainage system of the municipality.**
 - (3) **\$150,000 for the repair and improvement of municipal holdings of the municipality.**

4. **\$1,500,000 10/28/2002 General Obligation Public Improvement bonds issued for the following purposes:**
 - (1) **\$1,150,000 for the repair, paving and improvement of streets.**
 - (2) **\$100,000 for the purchase of equipment to be utilized in the repair, maintenance and construction of street and roads including but not limited to, an asphalt milling machine attachment.**
 - (3) **\$250,000 for the payment of a portion of the cost of construction of, and acquisition of land for a new street connecting U. S. Highway 49 East at its intersection with Grand Avenue running westward to interconnect with MS. State Highway 3.**

LONG-TERM DEBT
SEPTEMBER 30, 2009

1.	Date of bond issue			10-1-95		
	Original amount			\$ 1,000,000		
	Maturity date			10-1-2010		
	General Obligation Public					
	Improvement					
	1997	65,000	5.75%	2005	65,000	4.90%
	1998	65,000	5.30%	2006	65,000	4.90%
	1999	65,000	5.10%	2007	65,000	5.00%
	2000	65,000	5.00%	2008	65,000	5.10%
	2001	65,000	4.80%	2009	65,000	5.20%
	2002	65,000	4.70%	2010	90,000	5.25%
	2003	65,000	4.70%	2011	90,000	
	2004	65,000				

9/30/09 BALANCE - \$90,000

2.	Date of bond issue			4-1-97		
	Original amount			\$ 750,000		
	Maturity date			10-1-2012		
	General Obligation Public					
	Improvement					
	1998	\$ 50,000	4.00%	2006	\$ 50,000	4.90%
	1999	50,000	4.20%	2007	50,000	5.00%
	2000	50,000	4.20%	2008	50,000	5.10%
	2001	50,000	4.40%	2009	50,000	5.20%
	2002	50,000	4.50%	2010	50,000	5.30%
	2003	50,000	4.60%	2011	50,000	5.40%
	2004	50,000	4.70%	2012	50,000	5.50%
	2005	50,000	4.80%			

9/30/09 BALANCE - \$150,000

LONG-TERM DEBT
SEPTEMBER 30, 2009

3.	Date of bond issue		10-1-97			
	Original amount		\$ 1,000,000			
	Maturity date		10-1-2012			
	General Obligation Public					
	Improvement					
	1998	\$ 65,000	6.00%	2006	\$ 65,000	4.40%
	1999	65,000	6.00%	2007	65,000	4.50%
	2000	65,000	6.00%	2008	65,000	4.60%
	2001	65,000	6.00%	2009	65,000	4.70%
	2002	65,000	4.20%	2010	65,000	4.75%
	2003	65,000	4.25%	2011	65,000	4.75%
	2004	65,000	4.30%	2012	90,000	4.75%
	2005	65,000	4.40%			

9/30/09 BALANCE - \$155,000

4.	Date of bond issue		10-28-02			
	Original amount		\$ 1,500,000			
	Maturity date		11-1-2017			
	General Obligation Public					
	Improvement					
	2003	\$100,000	3.90%	2011	\$100,000	3.80%
	2004	100,000	3.80%	2012	100,000	3.90%
	2005	100,000	3.80%	2013	100,000	4.10%
	2006	100,000	3.80%	2014	100,000	4.125%
	2007	100,000	3.70%	2015	100,000	4.30%
	2008	100,000	3.70%	2016	100,000	4.30%
	2009	100,000	3.80%	2017	100,000	4.30%
	2010	100,000	3.80%			

9/30/09 BALANCE - \$900,000

TOTAL GO BONDS – 9/30/09 **\$1,295,000**

DEBT SERVICE FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2009

<u>Interest Rate</u>	<u>Investment</u>	<u>Amount</u>
	Money Market Account	<u>\$ 780</u>
	TOTAL	<u>\$ 780</u>

TRUST AND AGENCY FUND – CEMETERY TRUST FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 20078

<u>Interest Rate</u>	<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
	Money Market Account		\$ 689
6.00	24739		50
3.50	1527		500
4.065	Certificate of Deposit	2-22-10	110,000
1.990	Certificate of Deposit	3-06-10	<u>103,796</u>
	TOTAL		<u>\$ 215,035</u>

TRUST AND AGENCY FUND – CRUMP SCHOOL TRUST FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2009

Interest			
<u>Rate</u>	<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
4.750	U. S. Treasury Note	01-31-2012	\$ 895,849
3.250	U. S. Treasury Note	10-31-2009	499,664
0.540	U. S. Treasury Note	05-06-2010	323,258
0.875	U. S. Treasury Note	04-30-2011	329,517
	Money Market Account		120,365
	Money Market Account		<u>50,501</u>
	TOTAL		<u>\$ 2,219,154</u>

TRUST AND AGENCY FUND-UNEMPLOYMENT COMPENSATING REVOLVING TRUST FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2009

<u>Investment</u>	<u>Amount</u>
Money Market Account	<u>\$ 23,146</u>
TOTAL	<u>\$ 23,146</u>

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2009

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
McArthur Straughter, Mayor Charles O'Reilly, Alderman Dr. Jack Varner, Alderman Hattie Williams, Alderman Clifton Jones, Alderman and Other city employees	Mayor and Board of Aldermen (excluding City Clerk)	Travelers Casualty and Surety Company of America	\$ 50,000
Linda Caston	City Clerk	Fidelity and Deposit Company of Maryland	50,000
Eric Snow	Police Chief	Fidelity and Deposit Company of Maryland	50,000

GENERAL LONG TERM DEBT – GENERAL OBLIGATION – BONDED INDEBTEDNESS ANALYSIS
SEPTEMBER 30, 2009

	<u>Annual Retirement</u>	<u>% Rate</u>	<u>Interest Payable</u>	<u>Maturity</u>	<u>Amounts</u>
10/1/95 Public Improvements	90,000	5.25		2010	\$ 90,000
4/1/97 Public Improvements	50,000	5.30		2010	
	50,000	5.40		2011	
	50,000	5.50		2012	\$ 150,000
10/1/97 Public Improvements	65,000	4.75		2011	
	90,000	4.75		2012	\$ 155,000
10/28/02 Public Improvements	100,000	3.80		2010	
	100,000	3.80		2011	
	100,000	3.80		2012	
	100,000	3.90		2013	
	100,000	4.10		2014	
	100,000	4.125		2015	
	100,000	4.30		2016	
	100,000	4.30		2017	
	100,000	4.30		2018	<u>\$900,000</u>
TOTAL BONDS PAYABLE					<u>\$1,295,000</u>

**GENERAL LONG TERM DEBT – GENERAL OBLIGATION – BOND MATURITIES AND INTEREST PAYMENTS
SEPTEMBER 30, 2009**

	<u>Principal Payments</u>	<u>Total Principal Payments</u>	<u>Total Interest Payments</u>	<u>Net Payments by Yazoo City</u>
10-1-2009	\$ 50,000			
11-1-2009	100,000			
10-1-2009 to 9-30-2010		\$ 150,000	\$ 53,750	\$ 203,750
10-1-2010	90,000			
	50,000			
	65,000			
11-1-2010	100,000			
10-1-2010 to 9-30-2011		305,000	43,538	348,538
10-1-2011	50,000			
	90,000			
11-1-2011	100,000			
10-1-2011 to 9-30-2012		240,000	33,950	273,950
11-1-2012	100,000			
10-1-2012 to 9-30-2013		100,000	23,075	123,075
11-1-2013	100,000			
10-1-2013 to 9-30-2014		100,000	19,075	119,075
10-1-2014	100,000			
10-1-2014 to 9-30-2015		100,000	14,963	114,963
11-1-2015	100,000			
10-1-2015 to 9-30-2016		100,000	10,750	110,750
11-1-2016	100,000			
10-1-2016 to 9-30-2017		100,000	6,450	106,450
11-1-2017	100,000			
10-1-2017 to 9-30-2018		<u>100,000</u>	<u>2,150</u>	<u>102,150</u>
GRAND TOTALS		<u>\$ 1,295,000</u>	<u>\$ 207,701</u>	<u>\$ 1,502,701</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Home Security	14.228	\$ 38,896
Council on aging	14.228	5,000
Kids Town	14.228	14,500
Department of Transportation	14.228	38,888
U. S. Department of Justice	16.710	<u>11,708</u>
Total Expenditures of Federal Awards		<u>\$ 108,992</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the city.

The accompanying notes are an integral part of this schedule.

February 12, 2010

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

Honorable Mayor and Board of Aldermen
City of Yazoo
Yazoo City, Mississippi 39194

We have audited the general-purpose financial statements of the City of Yazoo, Mississippi as of and for the year ended September 30, 2009 and have issued our report thereon dated February 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Yazoo, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information of the management. However, this report is a matter of public record and its distribution is not limited.

Ardis D. Russell, CPA

February 12, 2010

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

**Mayor and Board of Aldermen
City of Yazoo, Mississippi**

We have audited the basic financial statements of the City of Yazoo, Mississippi, as of and for the year ended September 30, 2009, and have issued our report dated February 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state 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 as objective of our audit and, accordingly, we do not express such an opinion. The results of those procedures and our audit of the basic financial statements disclosed no instances of noncompliance with state law and regulations.

This report is intended solely for the information and use of management, others within the organization, the Board of Alderman, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ardis D. Russell, CPA