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**CITY OF BOONEVILLE
STATE OF MISSISSIPPI**

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

SEPTEMBER 30, 2006

**JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.
BOONEVILLE, MISSISSIPPI 38829-0250**

CITY OF BOONEVILLE
STATE OF MISSISSIPPI
Basic Financial Statements

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CITY OF BOONEVILLE
STATE OF MISSISSIPPI
Basic Financial Statements

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JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.

Christopher D. Jones, C.P.A.

David W. Jones, C.P.A.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Alderman
City of Booneville, State of Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Booneville, State of Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Booneville, State of Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

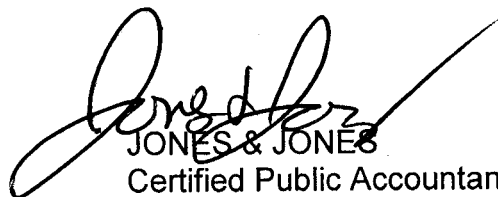
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Booneville, State of Mississippi,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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of the City of Booneville, State of Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 61 through 69, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Booneville, State of Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements (Schedule 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements (Schedule 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely yours,



JONES & JONES
Certified Public Accountants
of Booneville, P.A.

December 22, 2006

**CITY OF BOONEVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2006**

As management of the City of Booneville, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14,769,542 (net assets). Of this amount, \$3,106,962 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$1,152,397 during the current fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$922,677, an increase of \$201,992 during the current fiscal year. Approximately 95 percent of this total amount, or \$880,509, is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$595,252 or 10.85 percent of total general fund expenditures.

The City's total debt decreased by \$272,330 during the current fiscal year. This change resulted from new debt issued of \$58,500 and debt repayments of \$330,830.

During the current fiscal year, the City's governmental fund property taxes increased by \$179,990 (14.1 percent) mainly due to Prentiss County reassessing existing property and growth, sales taxes decreased by \$34,740 (2.1 percent) due to business closings and economy, police fines increased by \$94,260 (50.9 percent) due to increased safety measures, and intergovernmental revenues decreased by \$21,384 (2.3 percent) due to decreased grant revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements- continued

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

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

The statement of activities presents information showing how the 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 rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate authorities—The Booneville Planning Board, the Park Commission Board, the Booneville Historical Commission Board and the Booneville Election Commission Board. These component units although legally separate, do not have any financial statements. Any expenses of these boards are paid by the City and are included in the City's financial statements. The City has excluded Booneville Municipal Separate School District and Booneville Housing Authority from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from each of these entities.

The government-wide financial statements can be found on pages 15 – 17 of this report.

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.

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

Overview of the Financial Statements – continued

Governmental funds – continued. 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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect 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.

The City maintains eight 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 which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, capital project fund, debt service fund and certain special revenue funds. Budgetary comparison schedules for the general fund and the major special revenue fund has been provided in the financial statements on pages 61 – 66 to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18 – 22 of this report.

Proprietary funds. The City maintains four different types of 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 natural gas operations, water and sewer operations, and its waste collection operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas operations, the water and sewer operations, and the waste collection operations. The gas system fund and the water and sewer fund are considered to be major funds of the City. The waste collection fund is considered to be a non-major fund of the City. The revenues and expenditures reported in the internal service fund are not included in the government-wide financial statements since the related expense pertaining to each activity has already been included therein.

The basic proprietary fund financial statements can be found on pages 23 – 29 of this report.

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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Overview of the Financial Statements – continued

Notes to the financial statements. The notes provide additional information that is essential to 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 pages 31 – 60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to budgetary comparison schedules for certain governmental funds referred to earlier. Required supplementary information can be found on pages 61 – 66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 67 – 68 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Booneville, assets exceeded liabilities by \$14,769,542 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (75.2 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), 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.

City of Booneville, Mississippi's Net Assets (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$2,924.3	\$3,340.0	\$ 4,301.2	\$ 4,209.6	\$ 7,225.5	\$ 7,549.6
Capital assets	<u>4,840.3</u>	<u>4,889.4</u>	<u>15,029.7</u>	<u>15,252.6</u>	<u>19,870.0</u>	<u>20,142.0</u>
Total assets	<u>7,764.6</u>	<u>8,229.4</u>	<u>19,330.9</u>	<u>19,462.2</u>	<u>27,095.5</u>	<u>27,691.6</u>
Long-term liabilities outstanding	1,698.0	1,804.9	7,130.8	7,303.2	8,828.8	9,108.1
Other liabilities	<u>1,774.8</u>	<u>1,629.5</u>	<u>1,722.3</u>	<u>1,032.0</u>	<u>3,497.1</u>	<u>2,661.5</u>
Total liabilities	<u>3,472.8</u>	<u>3,434.4</u>	<u>8,853.1</u>	<u>8,335.2</u>	<u>12,325.9</u>	<u>11,769.6</u>
Net assets						
Invested in capital assets, net of related debt	3,210.7	3,193.0	7,974.0	7,987.8	11,184.7	11,180.8
Restricted	294.0	1,002.4	184.0	265.6	478.0	1,268.0
Unrestricted	<u>787.1</u>	<u>599.6</u>	<u>2,319.8</u>	<u>2,873.6</u>	<u>3,106.9</u>	<u>3,473.2</u>
Total net assets	<u>\$4,291.8</u>	<u>\$4,795.0</u>	<u>\$10,477.8</u>	<u>\$11,127.0</u>	<u>\$14,769.6</u>	<u>\$15,922.0</u>

Government-wide Financial Analysis - continued

An additional portion of the City's net assets (approximately 3.2 percent or \$477,872) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (approximately 21 percent or \$3,106,962) 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 government's net assets decreased by \$1,152,397 during the current fiscal year. This decrease was mainly due to write off of Home Loan notes receivable and interest of \$776,728 and significant increase in natural gas costs.

City of Booneville, Mississippi's Changes in Net Assets (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 501.4	\$ 430.8	\$ 7,899.8	\$ 6,374.9	\$ 8,401.2	\$ 6,805.7
Operating grants and contributions	140.4	203.4	204.0	--	344.4	203.4
Capital grants and contributions	299.3	205.3	158.5	992.4	457.8	1,197.7
General revenue:						
Property taxes	1,465.5	1,284.1	--	--	1,465.5	1,284.1
Sales tax	1,593.4	1,628.1	--	--	1,593.4	1,628.1
Franchise tax	140.4	123.0	--	--	140.4	123.0
TVA and other payments in lieu of tax	178.0	175.0	--	--	178.0	175.0
Other taxes and state shared revenues	219.6	193.9	--	--	219.6	193.9
Interest on investments	25.5	30.6	92.1	77.4	117.6	108.0
Loss on disposition of capital assets	(14.7)	(8.8)	--	(2.6)	(14.7)	(11.4)
Grants and contributions not restricted to specific programs	1.2	1.0	--	--	1.2	1.0
Other	32.5	43.9	--	--	32.5	43.9
Total revenue	<u>4,582.5</u>	<u>4,310.3</u>	<u>8,354.4</u>	<u>7,442.1</u>	<u>12,936.9</u>	<u>11,752.4</u>
Expenses:						
General government	692.4	650.0	--	--	692.4	650.0
Public safety	2,987.5	2,727.8	--	--	2,987.5	2,727.8
Public works	1,218.6	1,137.0	--	--	1,218.6	1,137.0
Culture and recreation	514.5	500.1	--	--	514.5	500.1
Housing and community development	--	125.0	--	--	--	125.0
Interest on long-term debt	79.4	90.6	--	--	79.4	90.6
Water and sewer	--	--	1,898.0	2,040.6	1,898.0	2,040.6
Natural gas	--	--	5,652.2	3,883.9	5,652.2	3,883.9
Sanitation	--	--	270.0	263.7	270.0	263.7
Total expenses	<u>5,492.4</u>	<u>5,230.5</u>	<u>7,820.2</u>	<u>6,188.2</u>	<u>13,312.6</u>	<u>11,418.7</u>
Increase (decrease) in net assets before transfers and special items	(909.9)	(920.2)	534.2	1,253.9	(375.7)	333.7
Special items	(776.7)	--	--	--	(776.7)	--
Transfers	<u>1,183.4</u>	<u>843.2</u>	<u>(1,183.4)</u>	<u>(843.2)</u>	<u>--</u>	<u>--</u>
Increase (decrease) in net assets	(503.2)	(77.0)	(649.2)	410.7	(1,152.4)	333.7
Net assets—beginning of year	4,795.0	5,863.8	11,127.0	10,716.3	15,922.0	16,580.1
Prior period adjustment	--	(991.8)	--	--	--	(991.8)
Net assets—end of year	<u>\$4,291.8</u>	<u>\$4,795.0</u>	<u>\$10,477.8</u>	<u>\$11,127.0</u>	<u>\$14,769.6</u>	<u>\$15,922.0</u>

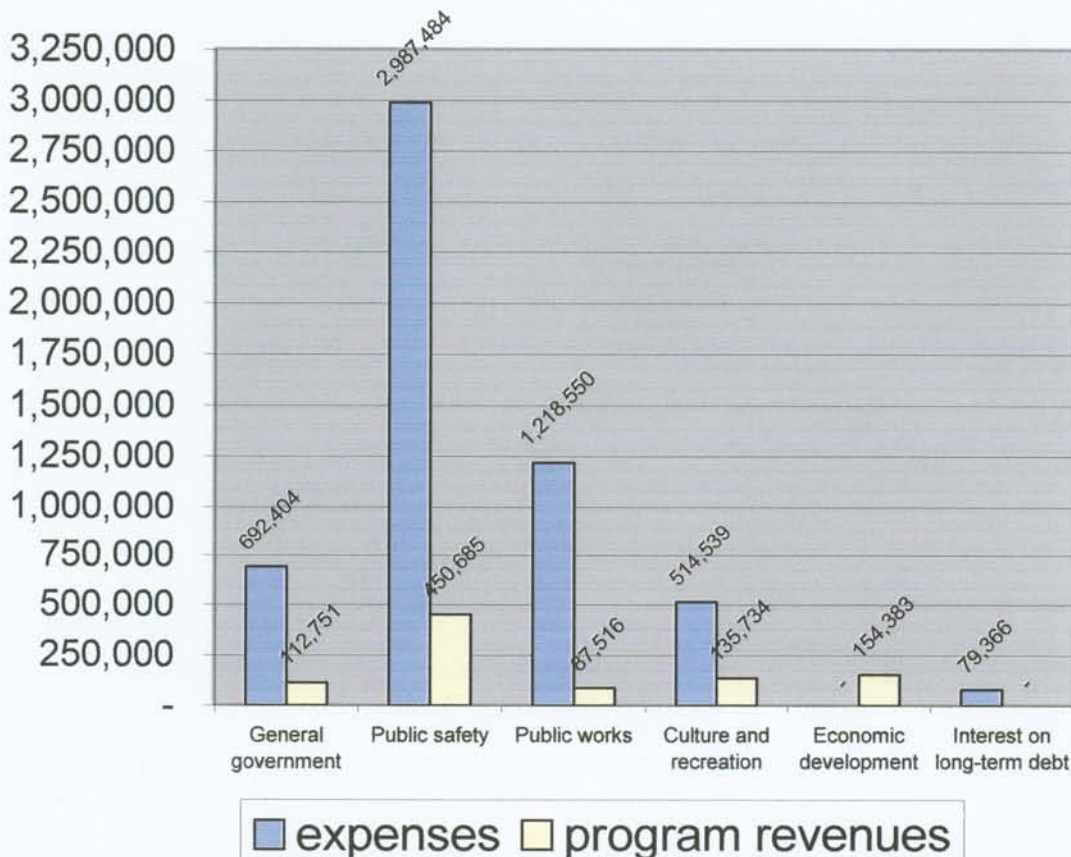
Government-wide Financial Analysis - continued

Governmental activities. Governmental activities decreased the City's net assets by \$503,179 accounting for 43.7 percent of the total decrease in the government's net assets for the current year. By comparison, governmental activities reported a \$77,096 decrease for the prior year. Key elements of the changes are as follows:

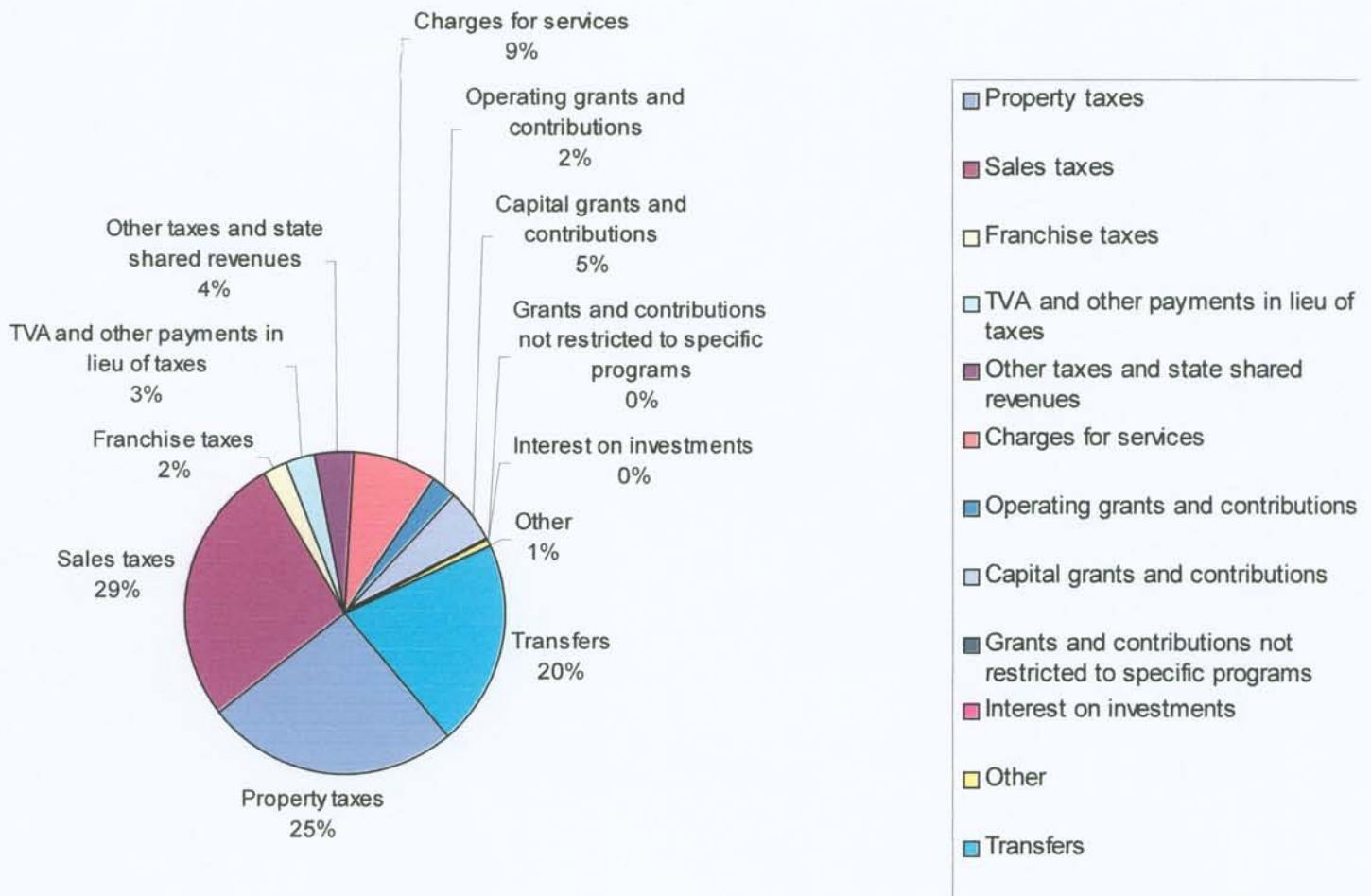
The City's property taxes increased by \$181,406 (14.1 percent), sales taxes decreased by \$34,740 (2.1 percent), charges for services increased by \$70,596 (16.4 percent), operating grants and contributions decreased by \$63,010 (31 percent), capital grants and contributions increased by \$93,973 (45.8 percent), transfers in increased by \$340,250 (40.4 percent) and \$776,728 was written off on Home Loan notes receivables.

General government expenses increased by \$42,369 (6.5 percent), public safety expenses increased by \$259,714 (9.5 percent), public works expenses increased by \$81,512 (7.2 percent), culture and recreation expenses increased by \$14,484 (2.9 percent), housing and community development expenses decreased by \$125,000 (100.0 percent), and interest and paying agent fees decreased by \$11,250 (12.4 percent).

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City's net assets by \$649,218 accounting for 56.3 percent of the total decrease in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$410,690. Key elements of this increase are as follows:

Charges for services for business-type activities increased by 23.9 percent, or \$1,525,002 compared to the prior year. This increase is mainly attributable to high cost of natural gas that was passed on to customers.

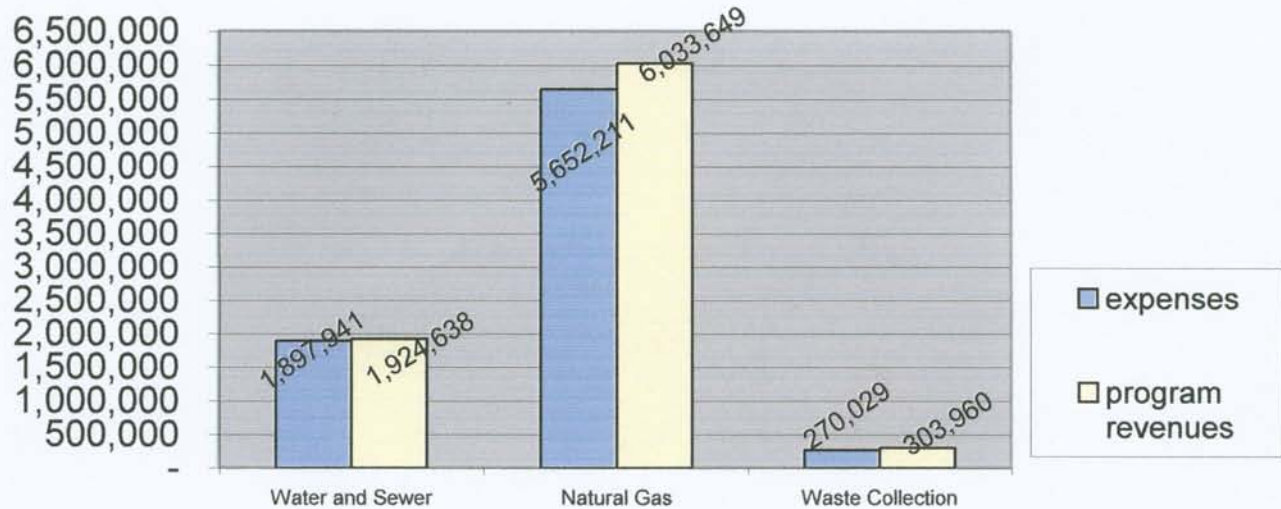
Expenses increased 26.4 percent, or \$1,631,978. This was due to the higher cost of natural gas and gasoline.

Investment income increased 19.1 percent or \$14,773 due primarily to interest rate increases.

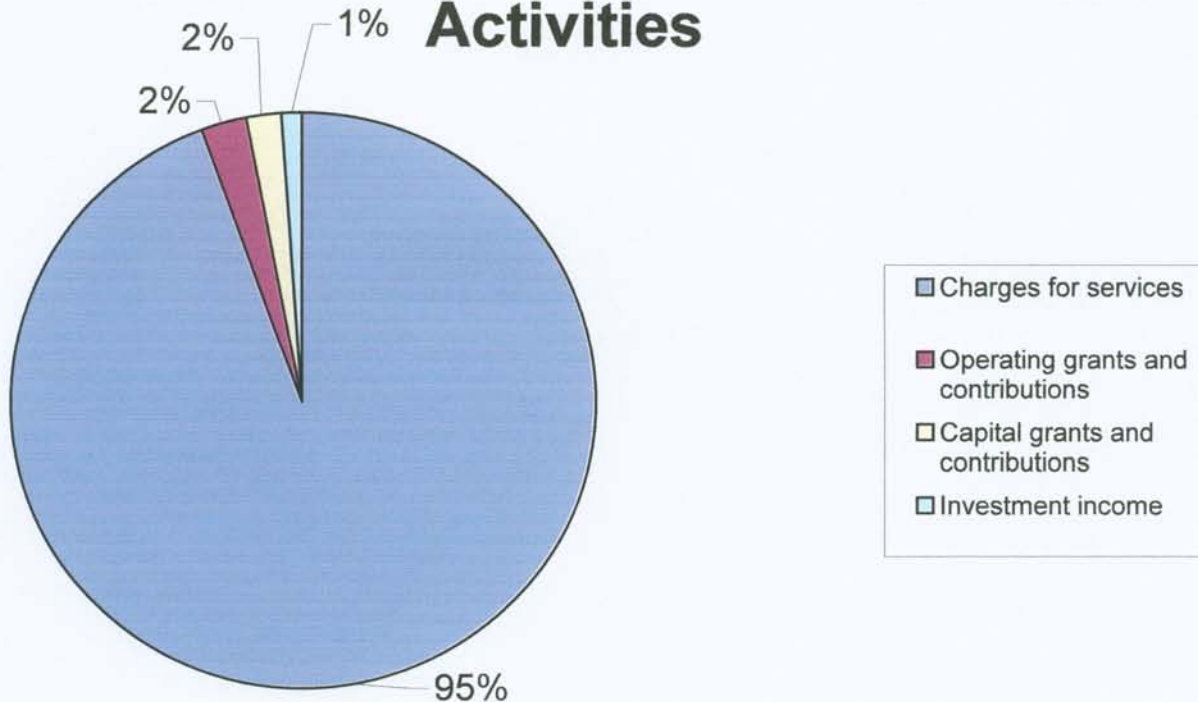
Government-wide Financial Analysis - continued
Business-type activities - continued

Business-type activities reported operating transfers out of \$1,183,412, an increase of \$340,250 (40.4 percent) when compared to the prior year.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$922,677, an increase of \$201,993 in comparison with the prior year. Approximately 95.4 percent of this total amount (\$880,509) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expense (\$42,168).

The increase of \$201,993 in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- The general fund increased \$137,489 due to increased transfers.
- The other government funds increased \$64,504 mainly due to fire protection and Drug Awareness Education funds being accumulated for future expenditures.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$595,252 while total fund balance was \$637,420. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 10.8 percent of total general fund expenditures. Unreserved fund balance of the other governmental funds was \$285,257, while total fund balance was \$285,257.

Proprietary funds. The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the gas system, combined water and sewer system and waste collection funds at the end of the year amounted to \$1,262,899, \$1,065,334 and \$(8,400), respectively. The gas system fund had a decrease in net assets for the year of \$339,502, the combined water and sewer system fund had a decrease in net assets for the year of \$302,286 and the waste collection fund had a decrease of \$7,430. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Financial Analysis of the Government's Funds - continued

General Fund Budgetary Highlights

Differences between the original and final amended budgets were significant. Significant differences in the General Fund were as follows: a \$48,000 increase in general government personnel services, a \$5,100 increase in general government other services and charges, a \$2,000 decrease in general government capital outlays, a \$41,200 increase in public safety – fire personnel services, a \$1,000 increase in public safety fire supplies, a \$1,000 increase in public safety fire other services and charges, a \$19,000 decrease in public safety – fire capital outlay, a \$47,000 increase in public safety – police personnel services, a \$16,000 increase in public safety – police supplies, a \$10,000 decrease in public safety – police other services and charges, a \$21,000 increase in public safety – police capital outlay, a \$9,000 increase in public property personnel services, a \$10,000 increase in public property supplies, a \$26,000 increase in public property other services and charges, a \$17,000 decrease in public property capital outlays, a \$35,000 decrease in street personnel services, a \$21,000 increase in street supplies, a \$36,000 decrease in street other services and charges, a \$165,000 increase in street debt service, a \$9,000 decrease in street capital outlay, a \$18,000 decrease in park operations personnel services, a \$1,000 increase in park operations supplies, a \$13,000 decrease in park operations capital outlay, a \$7,000 increase in park maintenance personnel services, a \$22,000 increase in park maintenance supplies, and a \$39,800 increase in park maintenance capital outlay. These changes were precipitated by the need to increase expenditures in certain areas deemed by the Board of Alderman to be beneficial to the City.

During the year, general fund revenues were more than the budgetary estimates, expenditures were less, and other financing sources were more, resulting in an actual increase in fund balance that was more than the final amended budget fund balance amount by approximately \$1,048,830.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounted to \$19,869,963 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after October 1, 2003. The total decrease in the City's investment in capital assets for the current fiscal year was 1.4 percent (a 1 percent decrease for governmental activities and a 1.5 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

1. Land improvements	\$154,383
2. Supervision and finance office equipment	1,274
3. Public property equipment	3,101
4. Park equipment	13,225
5. Park buildings	54,058
6. Street equipment	11,780
7. Police automotive and equipment	39,711
8. Fire equipment	29,959
9. Water and Sewer line expansion and modernization	187,095
10. Utility department office equipment	1,270

Capital Asset and Debt Administration - continued

Capital Assets - continued

City of Booneville, Mississippi's Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$1,025,244	\$ 69,052	\$ 1,094,296
Construction in progress	6,966	-	6,966
Buildings and improvements	1,187,782	102,120	1,289,902
Automotive and equipment	829,057	86,125	915,182
Infrastructure	1,791,233	-	1,791,233
Natural gas system	-	2,887,591	2,887,591
Water and sewer system	-	11,884,793	11,884,793
Total	<u>\$4,840,282</u>	<u>\$15,029,681</u>	<u>\$19,869,963</u>

Additional information on the City's capital assets can be found in Note F on pages 46 - 47 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$8,672,018. Of this amount, \$1,525,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) or lease agreements subject to appropriations.

City of Booneville, Mississippi's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds	\$1,525,000	\$ -	\$1,525,000
Lease agreements	60,582	-	60,582
Revenue bonds	-	7,086,436	7,086,436
Total	<u>\$1,585,582</u>	<u>\$7,086,436</u>	<u>\$8,672,018</u>

The City's total debt decreased by \$272,330 (3 percent) during the current fiscal year. There was new lease obligation totaling \$58,500 issued during the year.

Not included above, but reported as long-term debt in the financial statements, is the accumulated leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as a compensated absence at year end, due to contract language to the effect that the employee has "earned" this compensation.

The City of Booneville has not received a rating from Standard & Poor's.

Capital Asset and Debt Administration - continued

Long-term debt – continued. State statute limits the amount of general obligation debt a governmental entity may issue to 15 percent of the assessed value of the taxable property within such City according to the last completed assessment for taxation. The margin for additional debt under the 15 percent debt limits is approximately \$5,600,115. Additional informational on the City's long-term debt can be found in Note H on pages 48 – 51 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

The City does not expect its tax base to vary significantly from the current year.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund increased to \$595,252.

Requests for Information

This financial report is designed to provide a general overview of the City'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, 203 N. Main St., Booneville, Mississippi 38829.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 908,109	\$ 1,511,533	\$ 2,419,642
Restricted cash and cash equivalents	-	920,147	920,147
Receivables (net where applicable, of allowances for uncollectibles)			
Taxes	1,371,964	-	1,371,964
Police fines	73,695	-	73,695
Accounts	-	317,573	317,573
Franchise fees	19,216	-	19,216
Other	2,970	29,926	32,896
Due from other governments	464,198	64,076	528,274
Resale inventory	-	1,001,844	1,001,844
Supply inventory	-	112,524	112,524
Prepaid expenses	42,168	21,548	63,716
Land, improvements and construction in progress	1,032,210	69,052	1,101,262
Other capital assets (net of accumulated depreciation)	3,808,072	14,960,629	18,768,701
Deferred bond issuance cost	41,953	322,070	364,023
	<u>\$ 7,764,555</u>	<u>\$ 19,330,922</u>	<u>\$ 27,095,477</u>
Total assets			

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable - operations	\$ 142,275	\$ 278,018	\$ 420,293
Accounts payable - capital assets	39,984	7,100	47,084
Accrued interest	28,874	68,218	97,092
Accrued liabilities	200,034	31,476	231,510
Matured interest payable	568	-	568
Matured bonds payable	4,000	-	4,000
Customer deposits	-	583,397	583,397
Deferred revenue	1,359,034	-	1,359,034
Short-term notes payable	-	754,126	754,126
Long-term debt and capital leases			
Bonds due within one year	95,000	195,000	290,000
Lease obligations payable due within one year	28,920	-	28,920
Compensated absences due within one year	13,587	-	13,587
Bonds due in more than one year	1,430,000	6,891,436	8,321,436
Lease obligations payable due in more than one year	31,662	-	31,662
Compensated absences due in more than one year	98,852	44,374	143,226
Total liabilities	<u>3,472,790</u>	<u>8,853,145</u>	<u>12,325,935</u>
NET ASSETS			
Investments in capital assets, net of related debt	3,210,716	7,973,992	11,184,708
Restricted for:			
Debt service - expendable	-	148,303	148,302
Bond cushion, depreciation and contingency - expendable	-	10,000	10,000
Fire protection capital outlays	259,945	-	259,945
D.A.R.E Program	32,665	-	32,665
Bulletproof vest capital outlays	508	-	508
Capital project	802	-	802
Unemployment	-	25,649	25,649
Unrestricted	<u>787,129</u>	<u>2,319,833</u>	<u>3,106,962</u>
Total net assets	<u>\$ 4,291,765</u>	<u>\$ 10,477,777</u>	<u>\$ 14,769,542</u>

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Statement of Activities
For the fiscal year ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 692,404	\$ 110,501	\$ 2,250	\$ -	\$ (579,653)	\$ -	\$ (579,653)
Public safety	2,987,484	326,455	46,208	78,022	(2,536,799)	-	(2,536,799)
Public works	1,218,550	745	86,771	-	(1,131,034)	-	(1,131,034)
Culture and recreation	514,539	63,685	5,160	66,889	(378,805)	-	(378,805)
Economic development	-	-	-	154,383	154,383	-	154,383
Interest and paying agent fees	79,366	-	-	-	(79,366)	-	(79,366)
Total Governmental Activities	5,492,343	501,386	140,389	299,294	(4,551,274)	-	(4,551,274)
Business-Type Activities:							
Water and sewer	1,897,941	1,716,492	49,696	158,450	-	26,697	26,697
Natural gas	5,652,211	5,879,383	154,266	-	-	381,438	381,438
Waste collection	270,029	303,960	-	-	-	33,931	33,931
Total Business-Type Activities	7,820,181	7,899,835	203,962	158,450	-	442,066	442,066
TOTAL PRIMARY GOVERNMENT	\$ 13,312,524	\$ 8,401,221	\$ 344,351	\$ 457,744	(4,551,274)	442,066	(4,109,208)
General Revenues							
Taxes							
Property taxes and late fees					1,465,491	-	1,465,491
Sales tax					1,593,375	-	1,593,375
Homestead exemption					110,276	-	110,276
Franchise tax					140,405	-	140,405
TVA and other payments in lieu of tax					178,033	-	178,033
Road tax and advalorem privilege tax					93,152	-	93,152
Municipal aid and gasoline tax					16,097	-	16,097
Investment income					25,519	92,128	117,647
Other					32,517	-	32,517
Grants and contributions not restricted to specific program					1,206	-	1,206
Gain (loss) on sale or retirement of fixed assets					(14,660)	-	(14,660)
Transfers					1,183,412	(1,183,412)	-
Special item: write off of home loan notes receivable and interest					(776,728)	-	(776,728)
Total					4,048,095	(1,091,284)	2,956,811
Change in Net Assets					(503,179)	(649,218)	(1,152,397)
NET ASSETS--BEGINNING					4,794,944	11,126,995	15,921,939
NET ASSETS--ENDING					\$ 4,291,765	\$ 10,477,777	\$ 14,769,542

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2006

STATEMENT 3

ASSETS	General	Nonmajor Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 615,131	\$ 292,978	\$ 908,109
Receivables (net of allowance for uncollectibles)			
Taxes	1,371,964	-	1,371,964
Police fines	73,695	-	73,695
Franchise fees	19,216	-	19,216
Other	374	2,596	2,970
Due from other funds	-	943	943
Due from other governments	454,115	10,083	464,198
Prepaid expenses	42,168	-	42,168
Total assets and other debits	\$ 2,576,663	\$ 306,600	\$ 2,883,263
 LIABILITIES			
Accounts payable - operations	\$ 129,595	\$ 12,679	\$ 142,274
Accounts payable - fixed assets	39,984	-	39,984
Accrued liabilities	200,034	-	200,034
Compensated absence	13,587	-	13,587
Due to other funds	943	-	943
Deferred revenue	1,555,100	4,096	1,559,196
Matured interest payable	-	568	568
Matured revenue bonds payable	-	4,000	4,000
Total liabilities	1,939,243	21,343	1,960,586
 FUND BALANCES			
Reserved for:			
Prepaid expense	42,168	-	42,168
Unreserved (deficit):			
General fund	595,252	-	595,252
Capital project funds	-	(3,294)	(3,294)
Debt service	-	(4,568)	(4,568)
Special revenue funds	-	293,119	293,119
Total fund balance	637,420	285,257	922,677
Total liabilities and fund balances	\$ 2,576,663	\$ 306,600	\$ 2,883,263

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Assets
September 30, 2006

STATEMENT 3

FUND BALANCES OF GOVERNMENTAL FUNDS	\$	922,677
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and; therefore, were not reported in the governmental funds.

The capital assets were adjusted as follows:

Land improvements and construction in progress		1,032,209
Other capital assets		6,513,434
Less accumulated depreciation		<u>(2,705,362)</u>

Total capital assets		<u>4,840,281</u>
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Some of the City's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the governmental funds. The deferred revenues were adjusted as follows:

Revenues - police fines		36,849
Revenues - advalorem privilege tax		6,864
Revenues - payments in lieu of tax		83,895
Revenues - property taxes		12,420
Revenues - grants and contributions		<u>60,134</u>

Total deferred revenue		<u>200,162</u>
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Deferred bond issuance costs are not reported in the governmental funds		<u>41,953</u>
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Interest payable on long-term debt did not require current financial resources; therefore, interest payable was not reported as a liability in the governmental funds.		<u>(28,874)</u>
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Long-term liabilities, including bonds payable, capital leases and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:

General obligation bonds		(1,525,000)
Capital leases		(60,582)
Compensated absences		<u>(98,852)</u>

Total long-term debt and capital leases		<u>(1,684,434)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>4,291,765</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2006

	<u>General</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Advalorem taxes, penalties and interest	\$ 1,458,606	\$ -	\$ 1,458,606
Franchise taxes	140,405	-	140,405
Municipal sales tax	1,593,375	-	1,593,375
Permits, fees and privilege tax	35,892	-	35,892
Municipal court fines and bond fees	259,419	19,908	279,327
Intergovernmental revenues	697,640	194,497	892,137
Interest income	17,416	8,103	25,519
Charge for services	79,702	-	79,702
Collection fees	74,180	-	74,180
Donations	16,966	-	16,966
Other	115	-	115
	<hr/>	<hr/>	<hr/>
Total revenues	4,373,716	222,508	4,596,224
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Current			
General government	671,992	-	671,992
Public safety	2,853,012	3,069	2,856,081
Public works	1,100,395	-	1,100,395
Culture and recreation	450,361	-	450,361
Capital outlay	168,712	154,935	323,647
Debt Service			
Principal retirement - capital lease	71,511	-	71,511
Principal retirement - general obligation	90,000	-	90,000
Interest and paying agent	78,632	-	78,632
	<hr/>	<hr/>	<hr/>
Total expenditures	5,484,615	158,004	5,642,619
	<hr/>	<hr/>	<hr/>
Excess (deficit) of revenues over (under) expenditures	\$ (1,110,899)	\$ 64,504	\$ (1,046,395)

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the fiscal year ended September 30, 2006

	<u>General</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from disposition of fixed assets	\$ 6,475	\$ -	\$ 6,475
Proceeds from capital leases	58,500	-	58,500
Operating transfers in	<u>1,183,412</u>	<u>-</u>	<u>1,183,412</u>
Total other financing sources (uses)	<u>1,248,387</u>	<u>-</u>	<u>1,248,387</u>
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	137,488	64,504	201,992
Fund balance - beginning of year	<u>499,932</u>	<u>220,753</u>	<u>720,685</u>
Fund balance - end of year	<u>\$ 637,420</u>	<u>\$ 285,257</u>	<u>\$ 922,677</u>

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Governmental Activities in the Statement of Activities
 For the fiscal year ended September 30, 2006

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 201,992

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, assets with an individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	307,491
Basis of assets disposed of	(21,135)
Depreciation expense	(335,495)
	(49,139)

The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities.

161,511

The proceeds from a capital lease is reported as revenue when issued in governmental funds, but as an increase in capital lease outstanding in the statement of activities.

(58,500)

Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:

Property taxes	6,884
Municipal court fines	(118)
Advalorem privilege tax	(4,683)
Payment in lieu of taxes	(8,193)
Charge off of notes receivable and accrued interest	(776,728)
Grants and contributions	11,528
Other	(4,496)
	(775,806)

Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.

They are as follows:

(Increase) decrease in compensated absences	17,497
(Increase) decrease in accrued interest expense	2,600
Amortization of bond issuance cost	(3,334)
	16,763

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (503,179)

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Proprietary Fund
 Statement of Net Assets
 September 30, 2006

ASSETS	Business-Type Activities--Enterprise Fund				Governmental Internal Service Fund
	Combined		Nonmajor Fund	Total	
	Gas System	Water and Sewer System	Waste Collection	Business-type Funds	
Current Assets					
Cash and cash equivalents	\$ 929,884	\$ 581,649	\$ -	\$ 1,511,533	-
Receivables (net of allowance for uncollectibles)					
Accounts	157,715	138,146	21,712	317,573	-
Other	1,104	28,822	-	29,926	-
Resale inventory	1,001,844	-	-	1,001,844	-
Supply inventory	52,741	59,783	-	112,524	-
Due from other governments	28,631	35,445	-	64,076	-
Prepaid expenses	7,148	14,400	-	21,548	-
Total current assets	2,179,067	858,245	21,712	3,059,024	-
Restricted Assets					
Cash and cash equivalents	484,773	435,374	-	920,147	-
Total restricted assets	484,773	435,374	-	920,147	-
Noncurrent Assets					
Nondepreciable land, improvements and construction in progress	32,426	36,626	-	69,052	-
Depreciable capital assets, net of accumulated depreciation	2,993,071	11,967,558	-	14,960,629	-
Other debits - deferred charges, net	-	322,070	-	322,070	-
Total noncurrent assets	3,025,497	12,326,254	-	15,351,751	-
Total assets	\$ 5,689,337	\$ 13,619,873	\$ 21,712	\$ 19,330,922	-

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Proprietary Fund
 Statement of Net Assets
 September 30, 2006

LIABILITIES	<u>Business-Type Activities--Enterprise Fund</u>				Governmental Internal Service Fund
	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Nonmajor Fund Waste Collection</u>	<u>Total Business-type Funds</u>	
Current Liabilities					
Accounts payable - operations	\$ 156,081	\$ 91,825	\$ 30,112	\$ 278,018	\$ -
Accounts payable - fixed assets	-	7,100	-	7,100	-
Accrued interest	11,319	-	-	11,319	-
Accrued liabilities	12,730	18,746	-	31,476	-
Short-term notes payable	754,126	-	-	754,126	-
Total current liabilities	934,256	117,671	30,112	1,082,039	-
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds payable	-	195,000	-	195,000	-
Accrued interest payable	-	56,899	-	56,899	-
Customer deposits	438,652	144,745	-	583,397	-
Total liabilities payable from restricted assets	438,652	396,644	-	835,296	-
Noncurrent Liabilities					
Compensated absences	16,245	28,129	-	44,374	-
Revenue bonds payable, less current maturities	-	6,891,436	-	6,891,436	-
Total noncurrent liabilities	16,245	6,919,565	-	6,935,810	-
Total liabilities	1,389,153	7,433,880	30,112	8,853,145	-
NET ASSETS					
Invested in capital assets, net of related debt	3,025,497	4,948,495	-	7,973,992	-
Restricted for debt service	-	148,303	-	148,303	-
Restricted for revenue bond cushion, depreciation and contingent	-	10,000	-	10,000	-
Restricted for unemployment	11,788	13,861	-	25,649	-
Unrestricted (deficit)	1,262,899	1,065,334	(8,400)	2,319,833	-
Total net assets (deficit)	\$ 4,300,184	\$ 6,185,993	\$ (8,400)	\$ 10,477,777	\$ -

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the fiscal year ended September 30, 2006

	<u>Business-Type Activities--Enterprise Fund</u>				<u>Governmental Internal Service Fund</u>
	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Nonmajor Fund Waste Collection</u>	<u>Total Business-type Funds</u>	
<u>OPERATING REVENUES</u>					
Charges for services	\$ 5,779,445	\$ 1,655,210	\$ 303,960	\$ 7,738,615	\$ 85,939
Service charges and other	99,938	61,282	-	161,220	-
Total operating revenues	5,879,383	1,716,492	303,960	7,899,835	85,939
<u>OPERATING EXPENSES</u>					
Personnel services	365,268	531,255	-	896,523	73,150
Professional services	13,257	118,761	-	132,018	-
Supplies	62,348	89,233	-	151,581	7,245
Repairs	53,490	114,796	-	168,286	-
Operational	137,976	272,957	-	410,933	5,544
Relocation	154,266	49,696	-	203,962	-
Purchase of natural gas	4,766,468	-	-	4,766,468	-
Waste disposal	-	-	270,029	270,029	-
Depreciation and amortization	87,679	323,636	-	411,315	-
Total operating expenses	5,640,752	1,500,334	270,029	7,411,115	85,939
Operating income (loss)	238,631	216,158	33,931	488,720	-
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Interest revenue	49,986	42,142	-	92,128	-
Interest expense and fiscal charges	(11,459)	(397,607)	-	(409,066)	-
Relocation contributions - MDOT	154,266	49,696	-	203,962	-
Total nonoperating revenues and expenses	192,793	(305,769)	-	(112,976)	-
Income (loss) before operating transfers and contributions	431,424	(89,611)	33,931	375,744	-
Capital contributions	-	158,450	-	158,450	-
Operating transfer in	-	56,375	-	56,375	-
Operating transfer out	(770,926)	(427,500)	(41,361)	(1,239,787)	-
Changes in net assets	(339,502)	(302,286)	(7,430)	(649,218)	-
Total net assets (deficit) - beginning of year	4,639,686	6,488,279	(970)	11,126,995	-
Total net assets (deficit) - end of year	\$ 4,300,184	\$ 6,185,993	\$ (8,400)	\$ 10,477,777	\$ -

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2006

	<u>Business-Type Activities--Enterprise Fund</u>				
		<u>Combined</u>	<u>Nonmajor Fund</u>	<u>Total</u>	<u>Governmental</u>
		<u>Water and</u>	<u>Waste</u>	<u>Business-type</u>	<u>Internal Service</u>
	<u>Gas System</u>	<u>Sewer System</u>	<u>Collection</u>	<u>Funds</u>	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,939,693	\$ 1,746,766	\$ 305,987	\$ 7,992,446	\$ -
Receipts from interfund services	-	-	-	-	85,939
Payments to employees including fringe benefits	(367,201)	(531,995)	-	(899,196)	(73,151)
Payments to suppliers for goods and services	(4,872,157)	(684,509)	(264,626)	(5,821,292)	(12,788)
Payments for interfund services	(15,014)	(15,014)	-	(30,028)	-
Net changes in due to/from other funds	(24,239)	24,239	-	-	-
Net cash provided by operating activities	661,082	539,487	41,361	1,241,930	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating transfer in	(138)	56,375	-	56,237	-
Operating transfer out	(770,926)	(427,500)	(41,361)	(1,239,787)	-
Relocation contributions - MDOT	164,556	169,970	-	334,526	-
Net cash provided (used) by non-capital financing activities	\$ (606,508)	\$ (201,155)	\$ (41,361)	\$ (849,024)	\$ -

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Proprietary Fund
 Statement of Cash Flows
 For the fiscal year ended September 30, 2006

	<u>Business-Type Activities--Enterprise Fund</u>				<u>Governmental Internal Service Fund</u>
	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Nonmajor Fund Waste Collection</u>	<u>Total Business-type Funds</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital grant	\$ -	\$ 158,450	\$ -	\$ 158,450	\$ -
Principal payments - revenue bonds	-	(185,000)	-	(185,000)	-
Principal payments - capital lease	(9,380)	(7,780)	-	(17,160)	-
Acquisition and construction of capital assets	(635)	(248,154)	-	(248,789)	-
Interest and fiscal charges paid	-	(350,107)	-	(350,107)	-
Net cash (used) by capital and related financing activities	(10,015)	(632,591)	-	(642,606)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	49,985	42,142	-	92,127	-
Net cash provided (used) by investment activities	\$ 49,985	\$ 42,142	\$ -	\$ 92,127	\$ -

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Proprietary Fund
 Statement of Cash Flows
 For the fiscal year ended September 30, 2006

	<u>Business-Type Activities--Enterprise Fund</u>				<u>Governmental Internal Service Fund</u>
	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Nonmajor Fund Waste Collection</u>	<u>Total Business-type Funds</u>	
NON CASH TRANSACTIONS AFFECTING FINANCIAL POSITION					
Acquisition of fixed assets on account	\$ -	\$ (7,100)	\$ -	\$ (7,100)	\$ -
Borrowing from suppliers on account	-	7,100	-	7,100	-
Acquisition of natural gas inventory by assumption of note payable	(754,126)	-	-	(754,126)	-
Assumption of notes payable to acquire natural gas inventory	<u>754,126</u>	<u>-</u>	<u>-</u>	<u>754,126</u>	<u>-</u>
Net effect of non cash transactions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	94,544	(252,117)	-	(157,573)	-
Cash and cash equivalents, beginning of year	<u>1,320,113</u>	<u>1,269,140</u>	<u>-</u>	<u>2,589,253</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,414,657</u>	<u>\$ 1,017,023</u>	<u>\$ -</u>	<u>\$ 2,431,680</u>	<u>\$ -</u>

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Proprietary Fund
 Statement of Cash Flows
 For the fiscal year ended September 30, 2006

	<u>Business-Type Activities--Enterprise Fund</u>				<u>Governmental Internal Service Fund</u>
	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Nonmajor Fund Waste Collection</u>	<u>Total Business-type Funds</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 238,631	\$ 216,158	\$ 33,931	\$ 488,720	\$ -
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation	87,679	323,636	-	411,315	-
Noncash acquisition of natural gas inventory	754,126	-	-	754,126	-
(Increase) decrease in prepaid expense	825	219	-	1,044	-
(Increase) decrease in inventories	(488,525)	(6,224)	-	(494,749)	-
(Increase) decrease in receivables	66,448	29,930	2,027	98,405	-
Net changes in customer deposits	(6,139)	344	-	(5,795)	-
Increase (decrease) in accounts payable - operations	34,211	(48,075)	5,403	(8,461)	-
Increase (decrease) in accrued liabilities	(1,935)	976	-	(959)	-
Increase (decrease) in compensated absences	-	(1,716)	-	(1,716)	-
Increase (decrease) in due to/from other funds	(24,239)	24,239	-	-	-
Total adjustments	422,451	323,329	7,430	753,210	-
Net cash provided (used) by operating activities	\$ 661,082	\$ 539,487	\$ 41,361	\$ 1,241,930	\$ -

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Taxes receivable (net of allowance for uncollectables)	\$ <u>1,583,789</u>
Total Assets	\$ <u>1,583,789</u>
<u>LIABILITIES</u>	
Due to other governments	\$ 22,913
Deferred revenue	<u>1,560,876</u>
Total Liabilities	\$ <u>1,583,789</u>

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

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Booneville, Mississippi, ("the City") was incorporated December 21, 1861 and reincorporated February 23, 1882 under the provisions of the State of Mississippi. The City operates under a Mayor - Board of Alderman form of government and provides the following services to the citizens of the City as authorized by its charter--public safety (police and fire), public works, health and social services, culture, recreation, public improvements, public health, planning and zoning, natural gas utilities, water and sewer utilities, waste collection, and general administrative services.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America, (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. For the government-wide financial statements, and proprietary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

1. New Accounting Standards Adopted

In the fiscal year 2006, the City adopted four new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 42 — *Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries.*
- Statement No. 44 — *Economic Condition Reporting: The Statistical Section*
- Statement No. 46 — *Net Assets Restricted by Enabling Legislation*
- Statement No. 47 — *Accounting for Termination Benefits*

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 44, *Economic Condition Reporting* amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 46, *Net Assets Restricted by Enabling Legislation* clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement also specifies the accounting and financial reporting requirements, if new enabling legislation replaces existing enabling legislation.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. New Accounting Standards Adopted - continued

Statement No. 47, *Accounting for Termination Benefits* issued in June 2006, establishes accounting standards for termination benefits.

The City's implementation of these standards had the following effect on the City's financial statements:

- Statement No. 42 had no immediate effect on the City because the City had no impairments or insurance recoveries.
- Statement No. 44 did not effect the City because the City does not issue a comprehensive annual financial report.
- Statement No. 46 had no immediate effect on the City due to there being enabling legislation affecting the City.
- Statement No. 47 did not effect the City because the City offers no termination benefits.

2. Reporting Entity

The City is governed by an elected mayor and five-member board of alderman. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Reporting Entity - continued

Blended Component Unit

The Booneville Planning Board and the Booneville Election Commission meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any expenses of these boards are paid by the City and are blended in the City's financial statements. The Booneville Planning Board is 100 percent appointed by the City Board and provides planning commission services to the City. The Booneville Election Commission is 100 percent appointed by the City Board and handles all municipal elections.

3. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model, as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Government-Wide and Fund Financial Statements - continued

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, housing loan program (a special revenue fund), and the road paving program (a capital project fund). The major business type funds are the gas system fund and the combined water and sewer system fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statement. The costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc. of the governmental activities and Water and Sewer, Natural Gas and Sanitation of the business-type activities).

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The government-wide focus is more of the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on 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 to enhance the usefulness of the information.

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - continued

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem taxes, franchise taxes, licenses, fines, interest revenues and charges for services are recognized under the susceptible to accrual concept. Fines prior to October 1, 2002 are not susceptible to accrual because the City cannot measure them until received in cash. Net fines receivable for the periods prior to October 1, 2002 are not expected to be material. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. All other revenue items are considered to be measurable and available only when cash is received by the City. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. 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 ongoing operations. The principal operating revenues of the City's gas fund, combined water and sewer fund and waste collection fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service 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.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - continued

The following major funds are used by the City:

Governmental Funds:

The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (General Government, Public Safety, Public Works, and Culture and Recreation, etc.) and is the primary operating unit of the City.

The City additionally reports other governmental funds which is a summary of all the nonmajor governmental funds.

Proprietary Funds:

The following is a description of the major Proprietary Funds of the City:

- a. Gas System Fund accounts for the operation of the City's natural gas utility. Activities of the fund include administration, operation and maintenance of the natural gas system, and billing and collection activities. The fund also accounts for the accumulation of resources for and payment of long term debt principal and interest for revenue bonds and obligations under capital leases when due through the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.
- b. Combined Water and Sewer System Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for and payment of long term debt principal and interest for revenue bonds and obligations under capital leases when due through the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

The City additionally reports nonmajor funds consisting of the Waste Collection Fund, which accounts for the operation of the City's waste collection. Customers are billed monthly at a rate to cover the cost of providing such service.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - continued

Other Fund Types:

The City additionally, reports for the following fund types:

- a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.
- b. Agency Funds are used to account for assets held by the City in an agency capacity for other governments, individuals or companies.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

5. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased to be cash equivalents. Certificates of deposit with a maturity of more than 90 days when purchased are not considered to be cash equivalents. All investments are in certificates of deposit that are valued at cost which approximates fair value.

Cash and cash equivalents, as shown on Statement 7, include the following Proprietary Fund cash balances as shown on Statement 5:

	<u>Gas System</u>	<u>Combined Water and Sewer System</u>	<u>Waste Collection</u>	<u>Total</u>
Cash and cash equivalents	\$ 929,884	\$ 581,649	\$ -	\$1,511,533
Restricted cash and cash equivalents	<u>484,773</u>	<u>435,374</u>	<u>-</u>	<u>920,147</u>
	<u>\$1,414,657</u>	<u>\$1,017,023</u>	<u>\$ -</u>	<u>\$2,431,680</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

7. Inventories and Prepaid Items

Inventories of the enterprise funds are maintained on the consumption method and are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of enterprise fund expendable supplies held for consumption and natural gas held for resale. The governmental funds record inventories under the purchase method; therefore, items are recorded as expenses when purchased. The City governmental funds do not maintain material inventories; therefore, the accompanying fund and government-wide financial statements do not reflect governmental fund or governmental activities inventory.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis for both fund and government-wide financial statements.

8. Capital Assets

Property, plant and equipment purchased or acquired is recorded at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. As permitted by GASB Statement No. 34, the City has elected to not report public domain (infrastructure) fixed assets acquired prior to October 1, 2003. Capital assets are defined by the government as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized phase of capital assets constructed.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Capital Assets - continued

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Computer equipment and peripherals	3
Vehicles and equipment	5
Heavy equipment	10
Furniture and fixtures	7
Improvements other than buildings	40
Buildings	40 - 50
Infrastructure – streets and roads	20
Utility plant	10 - 100

9. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was \$409,066. Interest costs, fiscal charges and amortization of loan discount and deferred amount of refunding of \$409,066 were charged to expense. No interest costs, net of interest earned, were capitalized as fixed assets in the enterprise funds.

10. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 15 days per year for over 5 years of service. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least 12 months of continuous service.

Certain City employees accumulate personal leave days when required to work on holidays or other nonworking periods. Personal leave is paid to the employees upon termination of employment.

In accordance with the provisions of GASB Statement No.16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Long-Term Obligations

The City has issued debt under Section 17-21-51 and 17-21-53 of the Mississippi Code. These code sections provide for the prompt payment of notes or certificates of indebtedness at maturity, both principal and interest, of which the full faith credit and resources of the City are pledged. If the City does not have available funds in an amount sufficient to provide for the payment of principal and interest according to the terms of such notes or certificates of indebtedness, then the City is required to annually levy a special tax upon all of its taxable property at a rate, the avails of which will be, sufficient to provide such payments. Funds derived from any such tax shall be paid into a sinking fund and used exclusively for the payment of principal and interest on the notes or certificates of indebtedness.

The City has not and does not expect to be required to levy such tax.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Payable from Restricted Assets

Certain assets of the business-type activities have been restricted for debt service, construction and customer deposits. These assets consist of cash and short-term investments and accrued interest restricted as follows:

	<u>Gas System</u>	<u>Combined Water and Sewer System</u>
Customer deposits	\$438,652	\$144,745
Accrued interest payable	-	56,899
Revenue bonds payable	<u>-</u>	<u>195,000</u>
	<u>\$438,652</u>	<u>\$396,644</u>

13. Fund Equity/Net Assets

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

14. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The Plumrose Grant capital project fund deficit balance of \$4,028 is a result of the City submitting their expenses to the State of Mississippi for reimbursement and the reimbursement not being received within 60 days; therefore, revenues of \$4,096 are deferred. These reimbursements will replenish the fund balance in the following year. The Debt Service Fund deficit balance of \$4,568 is a result of matured bonds and interest that have not been redeemed. This deficit will be funded by the general fund when these matured bonds and interest are redeemed.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity - continued

The Waste Collection fund deficit balance of \$8,400 is a result of all cash being maintained in the Combined Water and Sewer System Fund. This deficit will be funded by the Combined Water and Sewer System Fund.

Budgets

Encumbrance accounting is employed for the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments are reappropriated and honored during the subsequent year. The original General Fund budget expenditures were amended by \$322,100 during the year ended September 30, 2006. A comparison of the General Fund and the Major Special Revenue Fund budget with statements of budgetary basis revenues and expenditures is included in other supplementary information as Schedule 1. This budgetary comparison schedule reflects General Fund expenditures exceeding budgets as follows: public safety – police personnel services \$37,007, public property other services and charges \$1,170. The notes to required supplementary information budgetary reporting on page 65-66 also provides additional budgetary information.

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2006, the cash and investments included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Petty cash/cash on hand	\$ 2,175	Governmental Funds	\$ 908,109
Demand deposits	3,337,612	Enterprise Funds	<u>2,431,680</u>
Cash at paying agent	<u>2</u>		
	<u>\$3,339,789</u>		<u>\$3,339,789</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

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 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 these 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 pooled collateral is held in the pooled participant's name by The First American National Bank (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the State Treasurer's name). The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the pooling method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Mississippi enforces strict standards of financial stability for each depository that collateralizes under the Statewide Collateral Pool Program.

At September 30, 2006, the demand deposits held with various local financial institutions had carrying amounts totaling \$3,337,612 and bank balances totaling \$3,395,540 of which \$100,102 was covered by federal depository insurance and \$3,295,438 was covered by the Statewide Collateral Pool Program.

The City has designated First American National Bank as its official depository. However, the City still has funds on deposit at Farmers & Merchants Bank, the prior official depository.

Investments

Mississippi laws address the investment of surplus money by municipalities and the investment of proceeds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificate of deposits in qualified depositories. The City of Booneville's policy is to advertise for the qualified depository that will offer the highest interest rate on all its deposits.

The City had no investments as of or during the year ended September 30, 2006.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk

The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising for increasing interest rates. The City had no investments during the year and limited its demand deposits during the year to federal depository insured accounts with First American National Bank and Farmers & Merchants Bank.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the Statewide Collateral Pool Program, 2) bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America. The City has no investment policy that would limit its investment choices.

The City's depositories have the following ratings by Standard & Poor's: First American National Bank (not rated) and Farmers & Merchants Bank (not rated).

Custodial Credit Risks

Custodial credit risk is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 31, 2006.

Concentration of Credit Risks

The City of Booneville had no investments at September 30 2006, but had demand deposits with more than 5% of the total in First American National Bank. These demand deposits represented approximately 100% of total demand deposits.

NOTE D - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 of the following year and are due and payable at that time. All unpaid taxes levied January 1 become delinquent February 1. Property taxes for automotive and mobile homes are collected and remitted to the City by Prentiss County, Mississippi.

Appraised values are established by Prentiss County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2005 taxes are collected in December, 2005 and January, 2006. The 2005 taxes are levied to fund the 2005-2006 budget year. The assessed value upon which the 2005 taxes were based was \$47,500,764.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE D - PROPERTY TAX - CONTINUED

City property tax revenue is recorded in governmental funds as receivables and deferred revenues at the time the tax attaches as an enforceable lien which includes the 2006 taxes intended to fund the 2006-2007 budget year of \$1,359,034. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2006 taxes of \$1,359,034 are also included in deferred revenue and not in current revenues in governmental activities because they are levied to fund the 2006- 2007 budget year.

The City assessed a tax rate of 34.15 mills for both the 2005 and 2006 taxes.

NOTE E - RECEIVABLES

Receivables at September 30, 2006 for the government's individual major funds and nonmajor funds, internal service, business-type funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following:

	General	Gas System	Water and Sewer System	Nonmajor Funds	Fiduciary	Total
Receivables:						
Taxes	\$1,417,801	\$ -	\$ -	\$ -	\$1,613,717	\$3,031,518
Police fines	275,815	-	-	-	-	275,815
Accounts	-	168,049	161,624	30,012	-	359,685
Franchise fees	19,216	-	-	-	-	19,216
Other	<u>374</u>	<u>1,104</u>	<u>28,822</u>	<u>2,596</u>	<u>-</u>	<u>32,896</u>
Gross receivables	1,713,206	169,153	190,446	32,608	1,613,717	3,719,130
Less: Allowance for uncollectables	<u>(247,957)</u>	<u>(10,334)</u>	<u>(23,478)</u>	<u>(8,300)</u>	<u>(29,928)</u>	<u>(319,997)</u>
Net receivables	<u>\$1,465,249</u>	<u>\$158,819</u>	<u>\$166,968</u>	<u>\$ 24,308</u>	<u>\$1,583,789</u>	<u>\$3,399,133</u>
Notes Receivable:						
Home loan	\$ -	\$ -	\$ -	\$ 743,000	\$ -	\$ 743,000
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,158</u>	<u>-</u>	<u>37,158</u>
	-	-	-	780,158	-	780,158
Less: Allowance for uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>(780,158)</u>	<u>-</u>	<u>(780,158)</u>
Net note receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE F – CAPITAL ASSETS

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

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Transfers and Other <u>Adjustments</u>	Balance September 30, <u>2006</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 870,860	\$ 154,384	\$ -	\$ -	\$1,025,244
Construction in progress	6,966	-	-	-	6,966
Total capital assets not being depreciated	<u>877,826</u>	<u>154,384</u>	<u>-</u>	<u>-</u>	<u>1,032,210</u>
Capital assets being depreciated					
Building and improvements	2,158,476	54,058	(43,600)	-	2,168,934
Automotive and equipment	2,379,709	99,051	(50,215)	-	2,428,545
Infrastructure	1,915,955	-	-	-	1,915,955
Total capital assets being depreciated	<u>6,454,140</u>	<u>153,109</u>	<u>(93,815)</u>	<u>-</u>	<u>6,513,434</u>
Less accumulated depreciation for					
Buildings	938,564	71,739	(29,151)	-	981,152
Automotive and equipment	1,446,543	196,474	(43,529)	-	1,599,488
Infrastructure	57,440	67,282	-	-	124,722
Total accumulated depreciation	<u>2,442,547</u>	<u>335,495</u>	<u>(72,680)</u>	<u>-</u>	<u>2,705,362</u>
Total capital assets being depreciated, net	<u>4,011,593</u>	<u>(182,386)</u>	<u>(21,135)</u>	<u>-</u>	<u>3,808,072</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$4,889,419</u>	<u>\$ (28,002)</u>	<u>\$ (21,135)</u>	<u>\$ -</u>	<u>\$4,840,282</u>
BUSINESS-TYPE ACTIVITIES					
GAS SYSTEM					
Capital assets not being depreciated					
Land	\$ 32,426	\$ -	\$ -	\$ -	\$ 32,426
Total capital assets not being depreciated	<u>32,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,426</u>
Capital assets being depreciated					
Building	126,207	-	-	-	126,207
Automotive and equipment	344,305	-	-	-	344,305
Furniture and office equipment	48,128	635	-	-	48,763
Natural gas system	4,228,240	-	-	-	4,228,240
Total capital assets being depreciated	<u>4,746,880</u>	<u>635</u>	<u>-</u>	<u>-</u>	<u>4,747,515</u>
Less accumulated depreciation for					
Buildings	54,619	2,612	-	-	57,231
Automotive and equipment	297,537	12,384	-	-	309,921
Furniture and office equipment	45,359	1,284	-	-	46,643
Natural gas system	1,269,250	71,399	-	-	1,340,649
Total accumulated depreciation	<u>1,666,765</u>	<u>87,679</u>	<u>-</u>	<u>-</u>	<u>1,754,444</u>
Total capital assets being depreciated, net	<u>3,080,115</u>	<u>(87,044)</u>	<u>-</u>	<u>-</u>	<u>2,993,071</u>
Gas System Capital Assets, Net	<u>\$3,112,541</u>	<u>\$ (87,044)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,025,497</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2005	Additions	Deletions	Transfers and Other Adjustment	Balance September 30, 2006
COMBINED WATER AND SEWER ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 36,626	\$ -	\$ -	\$ -	\$ 36,626
Construction in progress	89,468	124,947	(214,415)	-	-
Total capital assets not being depreciated	126,094	124,947	(214,415)	-	36,626
Capital assets being depreciated					
Building	44,376	-	-	-	44,376
Automotive and equipment	230,424	-	-	-	230,424
Furniture and office equipment	54,173	635	-	-	54,808
Water and sewer system	21,567,497	276,563	-	-	21,844,060
Total capital assets being depreciated	21,896,470	277,198	-	-	22,173,668
Less accumulated depreciation for					
Buildings	10,273	959	-	-	11,232
Automotive and equipment	172,071	11,194	-	-	183,265
Furniture and office equipment	50,991	1,355	-	-	52,346
Water and sewer system	9,649,139	310,128	-	-	9,959,267
Total accumulated depreciation	9,882,474	323,636	-	-	10,206,110
Total capital assets being depreciated, net	12,013,996	(46,438)	-	-	11,967,558
Combined Water and Sewer Capital Asset, Net	12,140,090	78,509	(214,415)	-	12,004,184
BUSINESS-TYPE CAPITAL ASSETS - NET					
	<u>\$15,252,631</u>	<u>\$ (8,535)</u>	<u>\$ (214,415)</u>	<u>\$ -</u>	<u>\$15,029,681</u>

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

GOVERNMENTAL ACTIVITIES

General government	\$ 17,478
Public safety	133,219
Public works	117,232
Culture and recreation	67,566

TOTAL DEPRECIATION EXPENSE—GOVERNMENTAL ACTIVITIES **\$335,495**

BUSINESS-TYPE ACTIVITIES

Natural gas	\$ 87,679
Water and sewer	323,636

TOTAL DEPRECIATION EXPENSE—BUSINESS-TYPE ACTIVITIES **\$411,315**

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE G - DEFINED BENEFIT PENSION PLAN AND 125 CAFETERIA PLAN

Defined Benefit Pension Plan

Plan Description. City of Booneville, Mississippi 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 the 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 City of Booneville, Mississippi is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The rate prior to June 30, 2006 was 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi legislature. City of Booneville, Mississippi contributions to PERS for the years ending September 30, 2006, 2005, and 2004 were \$350,428, \$306,186 and \$298,274, respectively, equal to the required contributions for each year.

125 Cafeteria Plan. Section 125 Cafeteria reduction plan expense for the employees included in the accompanying financial statements totaled \$85,341.

NOTE H - LONG-TERM DEBT

General Long-Term Debt

The City issued one new capital lease for a discounted principal amount of \$58,500 during the year ended September 30, 2006.

General obligation debt consists of debt issued that is backed by the full faith and credit of the City.

Revenue bonds consist of debt issued by the Combined Water and Sewer System. The gross revenues of the Combined Water and Sewer System Fund and Waste Collection Fund, after deduction of reasonable expenses for operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the Reserve Funds.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE H - LONG-TERM DEBT - CONTINUED

Lease obligations payable consist of debt issued by the City that is collateralized by a 1998 Caterpillar excavator model 312BL and a 2004 Freightliner FL70 with loader.

General long-term debt balances and transactions for the year ended September 30, 2006 are as follows:

GOVERNMENTAL ACTIVITIES

	Final Maturity Date	Interest Rate	Beginning Balance 10-01-05	Additions	Repay- ments	Ending Balance 9-30-06	Amounts Due Within One Year
General Obligation Bonds							
General Obligation Public Improvement Bonds – Series 2004	05-19-19	4.25-5%	\$1,615,000	\$ -	\$ 90,000	\$1,525,000	\$ 95,000
Total general obligation bonds			<u>1,615,000</u>	<u>-</u>	<u>90,000</u>	<u>1,525,000</u>	<u>95,000</u>
Lease obligations payable							
First Continental Leasing - 1998 Caterpillar Excavator	10-15-09	3.99%	-	58,500	12,573	45,927	14,265
First Continental Leasing - Kamotsu WB140 backhoe	01-15-06	3.69%	5,175	-	5,175	-	-
First Continental Leasing - six 2003 Ford police cars	01-15-06	3.69%	29,225	-	29,225	-	-
The Peoples Leasing - 2004 Freightliner FL70	04-15-07	2.98%	<u>39,193</u>	<u>-</u>	<u>24,538</u>	<u>14,655</u>	<u>14,655</u>
Total lease obligations payable			<u>73,593</u>	<u>58,500</u>	<u>71,511</u>	<u>60,582</u>	<u>28,920</u>
Compensated absences	-----	-----	<u>116,350</u>	<u>-</u>	<u>3,911</u>	<u>112,439</u>	<u>13,587</u>
TOTAL GOVERNMENTAL ACTIVITIES			<u>\$1,804,943</u>	<u>\$ 58,500</u>	<u>\$165,422</u>	<u>\$1,698,021</u>	<u>\$137,507</u>

The principal and interest requirements of the above general obligation debt and lease obligations payable at September 30, 2006 are as follows:

Years Ending September 30	General Obligation Bonds			Lease Obligations Payable		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 95,000	\$ 69,069	\$ 164,069	\$28,920	\$1,763	\$30,683
2008	95,000	64,319	159,319	14,861	1,021	15,882
2009	100,000	59,569	159,569	15,482	400	15,882
2010	105,000	54,569	159,569	1,319	4	1,323
2011	110,000	49,319	159,319	-	-	-
2012-2016	600,000	170,250	770,250	-	-	-
2017-2019	<u>420,000</u>	<u>36,124</u>	<u>456,124</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,525,000</u>	<u>\$503,219</u>	<u>\$2,028,219</u>	<u>\$60,582</u>	<u>\$3,188</u>	<u>\$63,770</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE H - LONG-TERM DEBT - CONTINUED

Specific years for payment of compensated absences are not determinable and are not included in the table above.

The ordinances authorizing the issuance of general obligation bonds creates an interest and sinking fund (General Debt Service Fund). If funds are not available from other sources, the ordinances require the City to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City does not levy taxes for debt service. All governmental activity debt is paid by the General Fund.

BUSINESS-TYPE ACTIVITIES

	Final Maturity Date	Interest Rate	Beginning Balance 10-01-05	Additions	Repay- ments	Ending Balance 9-30-06	Amounts Due Within One Year
<u>Combined Water and Sewer System</u>							
<u>Fund:</u>							
Revenue bonds:							
Mississippi Development Bank Special Obligation Bonds, Series 2002	08-01-27	2.95-5.25%	<u>\$7,505,000</u>	<u>\$ -</u>	<u>\$185,000</u>	<u>\$7,320,000</u>	<u>\$195,000</u>
Total revenue bonds			7,505,000	-	185,000	7,320,000	195,000
Less unamortized discount and deferred amount of refunding			<u>(266,405)</u>	<u>-</u>	<u>(32,841)</u>	<u>(233,564)</u>	<u>-</u>
Net revenue bonds			<u>7,238,595</u>	<u>-</u>	<u>152,159</u>	<u>7,086,436</u>	<u>195,000</u>
Lease Obligations Payable							
First Continental Leasing - 2004 Case 580 Super M Backhoe	08-15-06	3.39%	<u>7,780</u>	<u>-</u>	<u>7,780</u>	<u>-</u>	<u>-</u>
Total lease obligations payable			<u>7,780</u>	<u>-</u>	<u>7,780</u>	<u>-</u>	<u>-</u>
Compensated absences	-	-	<u>29,845</u>	<u>-</u>	<u>1,716</u>	<u>28,129</u>	<u>-</u>
Total combined water and sewer system fund			<u>7,276,220</u>	<u>-</u>	<u>161,655</u>	<u>7,114,565</u>	<u>195,000</u>
<u>Gas System Fund</u>							
Lease Obligations Payable							
First Continental Leasing - 2004 Case 580 Super M Backhoe	08-15-06	3.39%	<u>9,380</u>	<u>-</u>	<u>9,380</u>	<u>-</u>	<u>-</u>
Compensated absences	-	-	<u>17,617</u>	<u>-</u>	<u>1,372</u>	<u>16,245</u>	<u>-</u>
Total gas system fund			<u>26,997</u>	<u>-</u>	<u>10,752</u>	<u>16,245</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES			<u>\$7,303,217</u>	<u>\$ -</u>	<u>\$172,407</u>	<u>\$7,130,810</u>	<u>\$195,000</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE H - LONG-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES - CONTINUED

The principal and interest requirements of the above revenue bonds and lease obligations payable at September 30, 2006 are as follows:

<u>Years Ending September 30</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 195,000	\$ 341,393	\$ 536,393
2008	205,000	335,640	540,640
2009	215,000	328,875	543,875
2010	225,000	321,243	546,243
2011	240,000	312,805	552,805
2012-2016	1,410,000	1,409,132	2,819,132
2017-2021	1,850,000	1,048,425	2,898,425
2022-2026	2,415,000	520,020	2,935,020
2027	565,000	28,532	593,532
Total	<u>\$7,320,000</u>	<u>\$4,646,065</u>	<u>\$11,966,065</u>

Specific years for payment of compensated absences are not determinable and are not included in the table above. All Enterprise Fund debt is paid by the fund incurring the debt.

NOTE I - COMPONENTS OF RESTRICTED ASSETS

	<u>Enterprise Fund</u>						
	<u>Current Debt Service</u>	<u>Conti- gency Reserve</u>	<u>Depre- ciation Reserve</u>	<u>Customer Deposits</u>	<u>Unemploy- ment</u>	<u>Construction</u>	<u>Total</u>
Gas System Fund cash	\$ -	\$ -	\$ -	\$472,985	\$11,788	\$ -	\$484,773
Combined Water and Sewer System Fund cash	<u>205,202</u>	<u>5,000</u>	<u>5,000</u>	<u>168,464</u>	<u>13,861</u>	<u>37,847</u>	<u>435,374</u>
Total	<u>\$205,202</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$641,449</u>	<u>\$25,649</u>	<u>\$ 37,847</u>	<u>\$920,147</u>

The ordinances authorizing the Combined Water, Sewer and Solid Waste Disposal System Revenue Bonds requires that the City establish the above revenue bond reserves. At September 30, 2006, the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

The restricted construction cash represents unexpended bond proceeds; therefore, the investment in capital assets, net of related debt associated with the construction cash of \$37,847 was not deducted from the Government-Wide or Proprietary Fund net asset account "investment in capital assets net of related debt". This portion of the debt (\$37,847) offsets the restricted construction cash of \$37,847 resulting in no restriction in the Government-Wide or Proprietary Fund net asset section.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE J - INTERFUND TRANSACTION

A summary of interfund receivables and payables at September 30, 2006 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 943
Nonmajor Funds - Other Governmental Funds	<u>943</u>	<u>-</u>
	<u>\$ 943</u>	<u>\$ 943</u>

The General Fund payable of \$943 represents DARE funds collected and not transferred to the DARE fund. These payables will be reimbursed in 2007.

Transfers between funds during the year were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Major Governmental Funds:		
General Fund	<u>\$1,183,412</u>	\$ -
Total Major Governmental Funds	<u>1,183,412</u>	<u>-</u>
Major Enterprise Funds		
Gas System Fund	\$ -	770,926
Combined Water and Sewer System Fund	<u>56,375</u>	<u>427,500</u>
Total Major Enterprise Funds	<u>56,375</u>	<u>1,198,426</u>
Nonmajor Enterprise Funds		
Waste Collection Fund	<u>-</u>	<u>41,361</u>
Total Nonmajor Enterprise Funds	<u>-</u>	<u>41,361</u>
Total all funds	<u>\$1,239,787</u>	<u>\$1,239,787</u>

The General Fund received transfers of \$755,912 from the Gas System Fund, and \$427,500 from the Combined Water and Sewer System Fund. The \$755,912 transfer from the Gas System Fund consisted of a \$700,000 authorized surplus fund transfer and the \$55,912 General Fund portion of the Internal Service Fund expenditures paid by the Gas System Fund. The \$427,500 from the Combined Water and Sewer Fund consisted of a \$427,500 authorized surplus fund transfer and General Fund.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE J - INTERFUND TRANSACTION - CONTINUED

The Combined Water and Sewer System Fund received transfers of \$56,375 from the Waste Collection Fund and the Gas System Fund. The \$41,361 transfer from the Waste Collection Fund resulted from revenues exceeding expenditures and all collections being deposited into the Combined Water and Sewer System Fund. The \$15,014 transfer from the Gas System Fund resulted from the Combined Water and Sewer System Fund portion of the Internal Service Fund expenditures being paid by the Natural Gas System.

NOTE K - INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

Major Governmental Funds

General Fund

Fire protection – Prentiss County	\$ 3,042
Municipal aid – revolving fund – State of Mississippi	4,496
Gasoline tax – State of Mississippi	11,604
Homestead exemption – State of Mississippi	110,276
TVA and other payments in lieu of taxes	186,225
Law enforcement assistance – State of Mississippi	9,000
Advalorem privilege tax – Prentiss County	34,319
Road tax – Prentiss County	63,517
Mississippi Forestry Commission tree grant – Federal	11,820
School resource officer – Booneville Municipal School	36,905
Solid waste – District	32,402
Department of Transportation Depot Grant – Federal	32,808
Assistance to Firefighters Grant – Federal	25,193
Public Safety Partnership and Community Policing Grant – Federal	34,166
USDA Soil and Water Conservation Grant – Federal	100,000
Local Law Enforcement Block Grant – Federal	<u>1,867</u>
Total General Fund	<u>697,640</u>

Nonmajor Governmental Funds

Special Revenue Funds

Fire Protection Fund

Fire protection – State of Mississippi	43,862
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Capital Project Funds

Plumrose Grant Fund

Rural Impact Fund Program – State of Mississippi	83,343
Development Infrastructure Grant – State of Mississippi	<u>67,292</u>

Total Nonmajor Governmental Funds	<u>194,497</u>
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Total Governmental Funds	<u>\$892,137</u>
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CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE L - LEASES

Capital Leases

The City has entered into various capital lease agreements for capital assets under which they will become the property of the City when all terms of the lease agreement are met. The following schedules present the future minimum lease payments as of September 30, 2006.

Governmental Activities:

	1998 Caterpillar Excavator Model 312BL	2004 Freightliner Model FL70
Minimum lease payments		
Years Ending September 30		
2007	\$15,882	\$14,801
2008	15,882	-
2009	15,882	-
2010	<u>1,323</u>	<u>-</u>
	48,969	14,801
Less: amounts representing interest	<u>(3,042)</u>	<u>(146)</u>
Present value of minimum lease payments	<u>\$45,927</u>	<u>\$14,655</u>

See Note H for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

	1998 Caterpillar Excavator Model 312BL	2004 Freightliner Model FL70
Capital asset discounted cost	\$58,500	\$72,729
Less: accumulated amortization	<u>(5,409)</u>	<u>(13,612)</u>
Total	<u>\$53,091</u>	<u>\$59,117</u>

Amortization of leased equipment under capital assets is included with depreciation.

Operating Lease

During the year ended September 30, 2006, the City General Fund paid rent for office equipment totaling \$1,910. At September 30, 2006, the City General Fund was obligated to rent this office equipment for an additional 46 months totaling \$6,670. During the year ended September 30, 2006, the City Enterprise Fund paid rent for office equipment totaling \$1,944. At September 30, 2006, the City Enterprise Fund was on a month to month lease.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE M – AD VALOREM TAXES LEVIED FOR THE BENEFIT OF OTHER GOVERNING AUTHORITIES

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. They are accounted for as an agency fund. For the reported fiscal year the following ad valorem tax levies were made in accordance with this legal requirement.

<u>Purpose of Levy</u>	<u>Mills</u>
General district expense	34.44
Bonded indebtedness	7.42
Other debt	<u>2.14</u>
	<u>44.00</u>

NOTE N - NON COMPLIANCE WITH STATE LAW REVENUE BOND REQUIREMENTS AND GRANT REQUIREMENTS

The City did not comply with all the requirements of the State Department of Audit or grant and loan requirements as set forth in the Municipal Compliance Questionnaire and grant and loan contracts. The results of our tests disclosed the instances of noncompliance listed on the schedule of findings and questioned costs on pages 73-77. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liability, if any, that may result has been recognized in the accompanying financial statements.

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Certain segmented information for the individual Enterprise Funds is included on Statement 5, Statement 6 and Statement 7. The capital asset activity for each individual Enterprise Fund is included in Note F. The Schedule of Changes in Long-Term Debt for each individual Enterprise Fund is included in Note H.

The individual Enterprise Funds have the following types of goods or services:

Gas System - Provide natural gas to its citizens and surrounding areas.

Combined Water and Sewer System - Provide water and sewer services to its citizens.

Waste Collection System - Provide waste collection services to its citizens.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

The individual Enterprise Funds have the following net working capital (current assets less current liabilities) at September 30, 2006:

Gas System	\$1,244,811
Combined Water and Sewer System	740,574
Waste Collection System	<u>(8,400)</u>
Total	<u>\$1,976,985</u>

Enterprise Funds operate in the City of Booneville, Mississippi geographic area. Their revenues are subject to the economic conditions of Booneville, Mississippi. At September 30, 2006, the Gas System Fund had extended credit to customers totaling \$157,715 and to others totaling \$1,104. Gas System Fund receivables are secured by customer deposits totaling \$438,652. No other collateral has been obtained. At September 30, 2006, the Combined Water and Sewer System Fund had extended credit to customers totaling \$138,146 and to others totaling \$28,822. Combined Water and Sewer System Fund receivables are secured by customer deposits totaling \$144,745. No other collateral has been obtained. At September 30, 2006, the Nonmajor Enterprise Fund had extended credit to customers totaling \$21,712. The Nonmajor Enterprise Fund receivables are not secured.

Gas System Fund accounts payable - operations consist mainly of \$111,095 for natural gas purchases and \$28,631 for relocating lines. The Combined Water and Sewer System Fund accounts payable - operations consist mainly of \$28,345 for relocating lines and \$14,014 for electricity. The Nonmajor Enterprise fund accounts payable - operations consist mainly of \$23,285 for contract waste collection and dumping fees.

NOTE P - RELATED PARTY TRANSACTIONS

The City had no material related party transactions during the current year.

NOTE Q - COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES

Litigation

The City has one pending lawsuit seeking damages Davis, et al v. City of Booneville Mississippi. The ultimate outcome of this lawsuit is presently unknown; therefore, no liability has been recognized in the accompanying financial statements since it is expected to be settled or covered by the City's liability insurance.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

**NOTE Q - COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES -
CONTINUED**

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of City management, such disallowances, if any, will not be significant.

Commitments

The City has been awarded a USDA grant of \$1,145,800. At September 30, 2006, funds totaling \$1,080,108 had been earned on the grant. The City had incurred cumulative sewer treatment renovation expenditures of \$1,080,108 prior to September 30, 2006. The City has either entered into contracts or will enter into contracts which will require additional sewer treatment plant renovation expenditures totaling \$65,692.

The City has entered into various contracts to purchase natural gas at specified quantities and specified rates. They are as follows:

<u>Date Committed</u>	<u>MMBTU</u>	<u>Price per MMBTU</u>
October, 2006	5,250	\$7.37
October, 2006	12,245	8.90
November, 2006	23,250	8.90
November, 2006	18,600	7.55
December, 2006	36,425	8.90
December, 2006	29,140	7.55
January, 2007	32,085	8.90
January, 2007	25,680	7.55
February, 2007	26,600	8.90
February, 2007	21,280	7.55
March, 2007	15,500	8.90
March, 2007	12,400	7.55
April, 2007	27,990	8.90

The City plans to set future natural gas rates at a rate that will cover the cost of natural gas, distribution thereof, and other operating costs.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

**NOTE Q - COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES -
CONTINUED**

Commitments - continued

The City has entered into contracts to provide long-term water tank repainting and maintenance for a 200,000 gallon elevated water tank and two 500,000 gallon elevated water tanks.

The 200,000 gallon elevated water tank contract requires annual payments of \$5,928 beginning December 15, 2003. The fee will remain constant for the first 10 years of the agreement and adjusted to reflect the current cost of service five years thereafter. This contract is not subject to cancellation for the first year, and can be cancelled only by the owner if notice of cancellation is made prior to October 30, of each subsequent year. The future minimum payments under this contract is \$5,928 for the year ending September 30, 2006.

The two 500,000 gallon elevated water tank contract requires an annual payment of \$67,647 on October 15, 2006 and then annual payments of \$16,716 on October 15, 2007, 2008, 2009, 2010, 2011 and 2012. The fee will be adjusted to reflect the current cost of service on October 15, 2014 and each five years thereafter. This contract is not subject to cancellation for the first year, and can be cancelled only by the owner if notice of cancellation is made prior to October 30, of each subsequent year. The future minimum payments under this contract is \$67,647 for the year ending September 30, 2006.

The City is a member of the Northeast Mississippi Solid Waste Management Authority and could be liable for future landfill post closure costs if the contractor does not comply with his contract. Northeast Mississippi Solid Waste Management Authority has informed the City that the contractor has provided a liability policy to ensure all future landfill post closure costs are provided. City management expects the contractor to provide all future post closure costs; therefore, no solid waste post closure liability is included on the accompanying financial statements.

NOTE R - DONATED SERVICES

During the year ended September 30, 2006, the following utilities were not charged for:

	<u>Natural Gas</u>	<u>Water & Sewer</u>
City of Booneville	\$39,925	\$112,040
National Guard Armory	3,267	-
Booneville Municipal Separate School System	<u>27,445</u>	<u>-</u>
Total	<u>\$70,637</u>	<u>\$112,040</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE S - JOINT VENTURE

Booneville/Baldwyn Airport operates a local airport in Prentiss County, Mississippi. Its board of directors is comprised of one director appointed by the City of Booneville, Mississippi, one director appointed by the City of Baldwyn, Mississippi, and one director appointed by Prentiss County, Mississippi. The Booneville/Baldwyn Airport does not issue a separate financial statement. All financial transactions are handled as a part of Prentiss County, Mississippi transactions. City of Booneville paid Prentiss County, Mississippi \$11,500 during the year for its share of the Booneville/Baldwyn Airport expenditures. The City's equity interest in the Booneville/Baldwyn Airport approximates zero; therefore, the investment in this joint venture is not reflected in the government-wide financial statements.

Northeast Mississippi Solid Waste Management Authority owns a landfill and contracts out operations and receives royalties from the contractor based on tonnage dumped. This is a joint venture comprising the Mississippi cities of Booneville and Ripley and the Mississippi counties of Benton, Prentiss, and Tippah. Each member appoints one director. The Northeast Mississippi Solid Waste Management Authority's financial statements are available by request from the Authority at P. O. Box 320, Booneville, MS 38829. The City received rebates from the Authority totaling \$32,402 during the year ended September 30, 2006. Due to the landfill development being financed by federal grants and royalties received being disbursed frequently, the City's equity interest would not be material; therefore, the investment in this joint venture is not reflected in the government-wide financial statements.

NOTE T - ECONOMIC DEPENDENCE

The City purchases natural gas and stores this natural gas at Tenneco, Inc. for use when prices are higher. If the City were unable to store this natural gas at Tenneco, Inc., gas purchased during the winter months could cost considerably more, which would substantially decrease profits. The City is subject to variance in the cost of natural gas. If the City does not increase natural gas rates comparable to increases in the cost of natural gas, there would be a substantial reduction in Proprietary Fund revenues.

NOTE U - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

Significant losses are covered by commercial insurance for all major programs except unemployment for the Enterprise Funds. The City has segregated cash and reserved \$11,788 for the Gas System Fund net assets and \$13,861 for the Combined Water and Sewer System Fund net assets for future unemployment charges. There were no material unemployment charges to these funds during the current year or the three previous years.

The City is a member of the Mississippi Municipal Service Company which provides general liability and worker's compensation. The City pays insurance premiums based on experience ratios. Settlement amounts have not exceeded insurance coverage for the current or three prior years. There was one outstanding open claim at September 30, 2006. No liability has been recognized for the open claim due to open claim being covered by the plan.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Financial Statements
September 30, 2006

NOTE V – NET ASSETS

The Government-wide statement of net assets reports \$477,872 of restricted net assets, of which \$318,259 is restricted by enabling legislation.

NOTE W – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending September 30, 2009. This statement establishes uniform financial reporting standards for other post employment benefit (OPED) plans and supercedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending September 30, 2010. This statement establishes standards for the measurement, recognition, and display of (OPED) expense/expenditures and related liabilities (Assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued in June 2006, will become effective for the City for the fiscal year ending September 30, 2010 for termination benefits provided through an existing defined benefit OPEB plan and September 30, 2006 for all other termination benefits. This statement establishes accounting standards for termination benefits

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* issued September, 2006, will be effective for the City for the fiscal year September 30, 2008. This statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended September 30, 2006

	Budgeted Amounts		Actual Amounts			Variance with
				Adjustments to Budgetary Basis	Actual on Budgetary Total	Final Budget Positive (Negative)
	Original	Final	Actual			
REVENUES						
Ad valorem taxes, penalties and interest	\$ 1,481,950	\$ 1,481,950	\$ 1,458,606	\$ (85)	\$ 1,458,521	\$ (23,429)
Franchise taxes	119,100	119,100	140,405	(1,998)	138,407	19,307
Municipal sales tax	1,633,000	1,633,000	1,593,375	31,282	1,624,657	(8,343)
Permits, fees, and privilege tax	40,000	40,000	35,892	-	35,892	(4,108)
Municipal court fines and bond fees	170,000	170,000	259,419	130	259,549	89,549
Intergovernmental revenues	333,500	333,500	697,640	36,161	733,801	400,301
Interest income	-	-	17,416	-	17,416	17,416
Charge for services	93,800	93,800	79,702	(4,500)	75,202	(18,598)
Collection fees	-	-	74,180	-	74,180	74,180
Donations	-	-	16,966	-	16,966	16,966
Other	-	-	115	3,477	3,592	3,592
Total revenues	3,871,350	3,871,350	4,373,716	64,467	4,438,183	566,833
EXPENDITURES						
General Government						
Personnel services	455,367	503,367	467,824	-	467,824	35,543
Supplies	21,000	21,000	16,365	47	16,412	4,588
Other services and charges	196,650	201,750	187,803	9,503	197,306	4,444
Capital outlay	6,000	4,000	3,037	-	3,037	963
Total	\$ 679,017	\$ 730,117	\$ 675,029	\$ 9,550	\$ 684,579	\$ 45,538

See accompanying notes to required supplementary information.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>	<u>Final Budget Positive (Negative)</u>
<u>EXPENDITURES - continued</u>						
Public Safety - Fire						
Personnel services	\$ 1,112,525	\$ 1,153,725	\$ 1,126,043	\$ (3,522)	\$ 1,122,521	\$ 31,204
Supplies	45,400	46,400	43,270	496	43,766	2,634
Other services and charges	51,300	52,300	58,892	(8,464)	50,428	1,872
Capital outlay	47,000	28,000	29,959	(1,999)	27,960	40
Total	1,256,225	1,280,425	1,258,164	(13,489)	1,244,675	35,750
Public Safety - Police						
Personnel services	1,143,613	1,190,613	1,230,250	(2,630)	1,227,620	(37,007)
Supplies	120,400	136,400	129,121	(203)	128,918	7,482
Other services and charges	257,800	247,800	265,436	(20,802)	244,634	3,166
Debt service	-	-	30,303	(30,303)	-	-
Capital outlay	60,400	81,400	51,243	30,303	81,546	(146)
Total	1,582,213	1,656,213	1,706,353	(23,635)	1,682,718	(26,505)
Public Property						
Personnel services	119,033	128,033	124,795	(1,698)	123,097	4,936
Supplies	32,200	42,200	39,084	190	39,274	2,926
Other services and charges	83,200	109,200	115,059	(4,689)	110,370	(1,170)
Capital outlay	21,000	4,000	3,561	(400)	3,161	839
Total	\$ 255,433	\$ 283,433	\$ 282,499	\$ (6,597)	\$ 275,902	\$ 7,531

See accompanying notes to required supplementary information.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended September 30, 2006

	Budgeted Amounts		Actual Amounts			Variance with
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	Final Budget Positive (Negative)
EXPENDITURES - continued						
Street						
Personnel services	\$ 488,908	\$ 453,908	\$ 438,858	\$ (2,685)	\$ 436,173	\$ 17,735
Supplies	160,000	181,000	169,431	(2,379)	167,052	13,948
Other services and charges	220,200	184,200	213,168	(31,783)	181,385	2,815
Debt service	-	165,000	209,840	(45,146)	164,694	306
Capital outlay	68,000	59,000	11,780	45,146	56,926	2,074
Total	937,108	1,043,108	1,043,077	(36,847)	1,006,230	36,878
Park Operations						
Personnel services	172,639	154,639	143,231	-	143,231	11,408
Supplies	22,700	23,700	22,523	(59)	22,464	1,236
Other services and charges	8,500	8,500	11,405	(4,030)	7,375	1,125
Capital outlay	13,000	-	-	-	-	-
Total	216,839	186,839	177,159	(4,089)	173,070	13,769
Park Maintenance						
Personnel services	173,079	180,079	176,990	(3,052)	173,938	6,141
Supplies	48,200	70,200	59,403	(1,317)	58,086	12,114
Other services and charges	44,300	44,300	36,809	65	36,874	7,426
Capital outlay	32,500	72,300	69,132	(11,212)	57,920	14,380
Total	\$ 298,079	\$ 366,879	\$ 342,334	\$ (15,516)	\$ 326,818	\$ 40,061

See accompanying notes to required supplementary information.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>
<u>EXPENDITURES - continued</u>					
Total expenditures	\$ 5,224,914	\$ 5,547,014	\$ 5,484,615	\$ (90,623)	\$ 5,393,992
Excess (deficit) of revenues over (under) expenditures	(1,353,564)	(1,675,664)	(1,110,899)	155,090	(955,809)
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from capital lease	-	-	58,500	(58,500)	-
Non-revenue receipts	105,000	105,000	6,475	-	6,475
Operating transfers in	700,000	700,000	1,183,412	(55,912)	1,127,500
Total other financing sources (uses)	805,000	805,000	1,248,387	(114,412)	1,133,975
Excess (deficit) of revenues and other financing sources over (under) expenditures and other uses	(548,564)	(870,664)	137,488	40,678	178,166
Fund balances - beginning of year	499,932	499,932	499,932	-	499,932
Fund balances - end of year	\$ (48,632)	\$ (370,732)	\$ 637,420	\$ 40,678	\$ 678,098

See accompanying notes to required supplementary information.
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CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Required Supplementary Information Budgetary Reporting
For the fiscal year ended September 30, 2006

BUDGETARY INFORMATION

NOTE A: The City is legally subject to the budgetary control requirements of the State of Mississippi. The City follows the following procedures in establishing the budgetary comparison schedule:

- A. Prior to September 1, the City Clerk submits to the Board of Alderman a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The State of Mississippi requires at a minimum expenditures be adopted in four categories (personnel services, supplies, other services and charges, and capital outlays).
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to September 15, the budget is legally enacted through passage of an ordinance.
- D. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
- E. The budget must be amended when necessary.
- F. Debt cannot be entered into unless permitted by law.
- G. Expenditures, except for capital outlays, cannot exceed budget appropriations.
- H. Expenditures cannot be made unless authorized in the budget.
- I. Appropriations lapse at the end of each fiscal year.

NOTE B: Budgets are adopted on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires the budgetary comparison schedule be prepared according to budgetary laws which is the modified cash basis (GAAP).

NOTE C: The following is a list of the excess of expenditures over appropriations for individual funds not included in the budgetary comparisons:

Fund/Category	Amount	Fund/Category	Amount
Bulletproof Vest Fund capital outlays	\$ 552	Combined Water and Sewer System Fund transfers out	\$ 427,500
Gas System Fund supplies	7,264	Waste Collection Fund other services and charges	2,925
Gas System Fund operating transfers out	770,926		

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Notes to Required Supplementary Information Budgetary Reporting
For the fiscal year ended September 30, 2006

BUDGETARY INFORMATION - CONTINUED

NOTE D: The following provides details for General Fund adjustments to budgetary basis from actual:

Revenues

Deferred revenues	\$ 105,010
Receivables	<u>(40,543)</u>
Total	<u>64,467</u>

Expenditures

Accounts payable paid after 30 days	20,272
Prepaid expenses	852
Vacation accrual	13,587
Reclassification of \$75,449 capital lease from debt service to capital outlay	-
Internal Service Fund expenses budgeted on Gas System Fund included in expense on actual	<u>55,912</u>
Total	<u>90,623</u>

Other Financing Sources (Uses)

Capital lease proceeds included in actual but not budget	(58,500)
Internal Service Fund expenses budgeted on Gas System Fund included in transfers on actual	<u>(55,912)</u>
Total	<u>(114,412)</u>

Net difference in budgetary basis and actual	<u>\$ 40,678</u>
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CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2006

	Special Revenue Funds				Capital Project		Debt	Total
	Fire	Drug Abuse	Home	Bulletproof	Road Paving	Plumrose	Service	Nonmajor
	Protection	Resistance	Loan	Vest	Program	Grant	Fund	Governmental
		Education	Program	Grant				Funds
ASSETS								
Cash and cash equivalents	\$ 259,945	\$ 31,722	\$ -	\$ 508	\$ 734	\$ 69	\$ -	\$ 292,978
Other receivables	-	-	-	-	-	2,596	-	2,596
Due from other funds	-	943	-	-	-	-	-	943
Due from other governments	-	-	-	-	-	10,083	-	10,083
Total assets	<u>\$ 259,945</u>	<u>\$ 32,665</u>	<u>\$ -</u>	<u>\$ 508</u>	<u>\$ 734</u>	<u>\$ 12,748</u>	<u>\$ -</u>	<u>\$ 306,600</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts payable	\$ (1)	\$ -	\$ -	\$ -	\$ -	12,680	\$ -	12,679
Deferred revenue	-	-	-	-	-	4,096	-	4,096
Matured interest payable	-	-	-	-	-	-	568	568
Matured revenue bonds payable	-	-	-	-	-	-	4,000	4,000
Total liabilities	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>4,568</u>	<u>21,343</u>
FUND BALANCE								
Unreserved (deficit)	<u>259,946</u>	<u>32,665</u>	<u>-</u>	<u>508</u>	<u>734</u>	<u>(4,028)</u>	<u>(4,568)</u>	<u>285,257</u>
Total fund balance (deficit)	<u>259,946</u>	<u>32,665</u>	<u>-</u>	<u>508</u>	<u>734</u>	<u>(4,028)</u>	<u>(4,568)</u>	<u>285,257</u>
Total liabilities and fund equity	<u>\$ 259,945</u>	<u>\$ 32,665</u>	<u>\$ -</u>	<u>\$ 508</u>	<u>\$ 734</u>	<u>\$ 12,748</u>	<u>\$ -</u>	<u>\$ 306,600</u>

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2006

	<u>Special Revenue Funds</u>				<u>Capital Project</u>		<u>Debt</u>	<u>Total</u>
	<u>Fire</u>	<u>Drug Abuse</u>	<u>Home</u>	<u>Bulletproof</u>	<u>Road Paving</u>	<u>Plumrose</u>	<u>Service</u>	<u>Nonmajor</u>
	<u>Protection</u>	<u>Resistance</u>	<u>Loan</u>	<u>Vest</u>	<u>Program</u>	<u>Grant</u>	<u>Fund</u>	<u>Governmental</u>
		<u>Education</u>	<u>Program</u>	<u>Grant</u>				<u>Funds</u>
<u>REVENUES</u>								
Intergovernmental revenues	\$ 43,862	\$ -	\$ -	\$ -	\$ -	\$ 150,635	\$ -	\$ 194,497
Municipal court fines and bond fees	-	19,908	-	-	-	-	-	19,908
Interest income	7,290	734	-	20	24	35	-	8,103
Total revenues	51,152	20,642	-	20	24	150,670	-	222,508
<u>EXPENDITURES</u>								
Current								
Public safety	-	3,069	-	-	-	-	-	3,069
Capital outlay	-	-	-	552	-	154,383	-	154,935
Total expenditures	-	3,069	-	552	-	154,383	-	158,004
Excess of revenues over (under) expenditures	51,152	17,573	-	(532)	24	(3,713)	-	64,504
<u>OTHER FINANCING SOURCES (USES)</u>	-	-	-	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other uses	51,152	17,573	-	(532)	24	(3,713)	-	64,504
Fund balances at beginning of year	208,794	15,092	-	1,040	710	(315)	(4,568)	220,753
Fund balances at end of year	\$ 259,946	\$ 32,665	\$ -	\$ 508	\$ 734	\$ (4,028)	\$ (4,568)	\$ 285,257

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2006

Name	Position	Amount	Insurance Company	Expiration Date
Roger Smith	Mayor	\$ 100,000	Brierfield Ins Co.	7-01-09
Glennice George	City Clerk	50,000	Brierfield Ins. Co.	7-01-07
Glennice George	Notary Bond	10,000	Western Surety Co.	3-11-07
Rebecca B. Lambert	Deputy City Clerk	10,000	Brierfield Ins. Co.	3-01-07
Rebecca B. Lambert	Notary Bond	10,000	Western Surety Co.	7-13-08
Janet Boren	Manager's Assistant	10,000	Brierfield Ins. Co.	3-10-07
Janet Boren	Notary Bond	5,000	RLI Ins. Co.	2-17-07
Valeria Colette Gardner	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Betty Phillips	Bookkeeper	10,000	Brierfield Ins. Co.	3-10-07
Shelia Bolden	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Robbie Lambert	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Christy Cain	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Nora Morgan	Deputy City Clerk	10,000	Brierfield Ins. Co.	11-04-06
Tim Holloway	Park Manager	10,000	CNA Surety Co.	7-09-07
Brent Mauney	Department Head	10,000	CNA Surety Co.	7-09-07
Trent Johnson	Department Head	10,000	Brierfield Ins. Co.	3-10-07
Tim Fortenberry	Police Chief	50,000	St Paul Ins. Co.	4-07-07
Charles Barrett	Alderman	100,000	St Paul Ins. Co.	7-01-09
David Bolen	Alderman	100,000	St Paul Ins. Co.	7-01-09
R B Goddard	Alderman	100,000	St Paul Ins. Co.	7-01-09
David West Jr	Alderman	100,000	St Paul Ins. Co.	7-01-09
Betty Livingston	Alderman	100,000	St Paul Ins. Co.	7-01-09
Clarence B Edge	Clerk	10,000	Brierfield Ins. Co.	3-10-07
LeAnn Cook	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Tom Sanders	Department Head	10,000	Brierfield Ins. Co.	3-10-07
June Hutcheson	Mayor's secretary	10,000	Brierfield Ins. Co.	3-10-07
Kristie Hatfield	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Jeremy Pace	Animal control	10,000	Brierfield Ins. Co.	3-10-07
Kelly Stevenson	Clerk	10,000	Brierfield Ins. Co.	3-10-07
Lacinda Steward	Clerk	10,000	Brierfield Ins. Co.	3-10-07

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.

Christopher D. Jones, C.P.A.

David W. Jones, C.P.A.

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

Honorable Mayor and Board of Alderman
City of Booneville, State of Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Booneville, State of Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City of Booneville, State of Mississippi's basic financial statements and have issued our report thereon dated December 22, 2006. 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 City of Booneville, State of Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Booneville, State of Mississippi's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items number 1, 2, 3, 4 and 5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items number 3 and 5 to be material weaknesses.

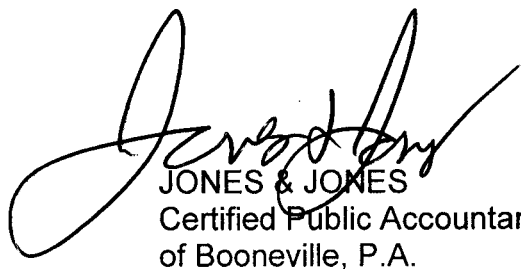
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Booneville, State of Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items number 6, and 7.

We also noted certain other matters that we reported to management of City of Booneville, State of Mississippi, in a separate letter dated December 22, 2006.

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

Sincerely yours,



JONES & JONES
Certified Public Accountants
of Booneville, P.A.

December 22, 2006

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.

Christopher D. Jones, C.P.A.

David W. Jones, C.P.A.

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
City of Booneville, State of Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Booneville, State of Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City of Booneville, State of Mississippi's basic financial statements and have issued our report thereon dated December 22, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

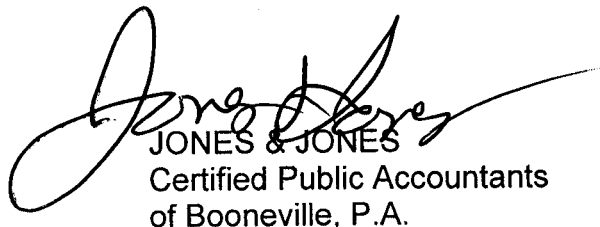
The results of those procedures and our audit of the financial statements disclosed material instances of noncompliance with state laws and regulations and which are described in the accompanying schedule of findings and questioned costs as items number 7 and 8.

The instances of noncompliance of the prior year have been corrected by management as discussed in the accompanying schedule of results of prior year findings or otherwise included in the above noted findings and questioned costs.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information and use of the Board of Alderman, management, others within the organization, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,


JONES & JONES
Certified Public Accountants
of Booneville, P.A.

December 22, 2006

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2006

FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

1. Segregation of Duties

Condition: The City does not have an adequate segregation of duties among accounting functions.

Criteria: Internal controls should be in place to require a segregation of duties among accounting functions.

Effect: The City has two bookkeepers who maintain general ledgers, collect cash, write and sign checks and handle certificates of deposit transactions. The City has two court clerks who handle court fine billings, receivables and collections. This type of lack of segregation of duties could result in misappropriation of funds that would not be timely discovered.

Cause: The City does not have enough personnel to have an adequate segregation of duties.

Recommendation: The City should have a segregation of duties among accounting functions; however, we recognize that the expense of acquiring the additional employees might be prohibitive. The Mayor and Board of Alderman should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: We concur with the recommendation.

2. Utility Department Cutoff Procedures

Condition: The City Enterprise Funds are not always following its prescribed cutoff procedures.

Criteria: The City internal controls require that utilities send a disconnect notice on all users who do not pay their utility bills by a specified date. The internal controls require the City to disconnect utility services if payment is not received by the disconnect date.

Effect: At September 30, 2006 the City had accounts that were receiving current utilities and had balances owed in excess of 60 days.

Cause: The City has customers in areas that are provided water by a local water association but receives sewer services and waste collection services from the City. The sewer services cannot be turned off.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2006

FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS – CONTINUED

2. Utility Department Cutoff Procedures - continued

Recommendation: We recommend these customers be reviewed and discussed with the City attorney to determine enforcement action.

Response: We have subsequently collected several of these and will pursue collection efforts.

3. Police Fines Receivable

Condition: The City is not printing a list of police fines receivable monthly.

Criteria: Internal controls should be in place and functioning to require its personnel to print out a police fines receivable report monthly.

Effect: The City did not have a printout of police fines receivable as of September 30, 2006. The police fines software program does not have the capability to print out a receivable report for a period in the past.

Cause: The City personnel forgot to print a police fines receivable list on September 30, 2006.

Recommendation: The City should establish a procedure to print its police fines receivable report monthly.

Response: We concur with the recommendation.

4. Property Tax Collection:

Condition: The City is not enforcing collections on citizens who do not pay their personal property taxes.

Criteria: Procedures should be in place to follow up on delinquent personal property taxes.

Effect: At September 30, 2006 the City had outstanding taxes of \$3,421 from the 2003 tax year, \$6,823 from the 2004 tax year, and \$34,794 from the 2005 tax year.

Cause: The City is not enforcing collection efforts on delinquent personal property taxes receivable.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2006

FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS – CONTINUED

4. Property Tax Collection - continued:

Recommendation: The City should contact its attorney and determine what legal course of action can be taken to collect delinquent personal property taxes.

Response: We concur with the recommendation

5. Violation of State of Mississippi Laws

Condition: As discussed in finding numbers 6, 7, and 8 there were violations of State of Mississippi laws and regulations.

Criteria: Controls should be in effect and functioning to detect and prevent violations of State of Mississippi laws and regulations.

Effect: The City did not comply with all State of Mississippi laws and regulations. See additional information in finding numbers 6, 7, and 8.

Cause: See information in finding numbers 6, 7, and 8.

Recommendation: Management should advise its employees of relevant State of Mississippi laws and regulations. See other recommendations in finding numbers 6, 7, and 8.

Response: We concur with the recommendation

COMPLIANCE AND OTHER MATTERS

6. City Stopped Charging the Chamber of Commerce Rent Income

Condition: The City stopped charging the Chamber of Commerce \$500 a month rent effective October 1, 2005 without Board of Alderman approval.

Criteria: Prior Board of Alderman minutes established rent charges of \$500 per month to the Chamber of Commerce.

Effect: The City stopped charging this rent effective October 1, 2005 without obtaining Board of Alderman approval.

Cause: This was an apparent oversight,

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2006

COMPLIANCE AND OTHER MATTERS - CONTINUED

7. City Stopped Charging the Chamber of Commerce Rent Income - continued

Recommendation: The Board of Alderman should take up this matter and determine whether they want to continue charging rent or provide the buildings rent free as additional funding.

Response: We concur with the recommendation

COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS

7. Budgets

Condition: Expenditures exceeded budget in various categories.

Criteria: Section 21-35-185, Miss. Code Ann (1972) states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlays, election expenses and payment of emergency warrants. Sections 21-35-5 and 21-35-9, Miss. Code Ann. (1972) provides for Special Revenue Funds.

Effect: The City's expenditures exceeded its budget estimates in the following categories:

General Fund police personnel services	\$37,007
General Fund public property other services and charges	1,170
Gas System Fund supplies	7,264
Gas System Fund operating transfers out	770,926
Combined Water and Sewer System Fund transfers out	427,500
Waste Collection Fund other services and charges	2,925

Cause: The transfers were approved by the Board of Alderman in their minutes, but the budgets were never amended to reflect approved transfers. The other items were due to costs exceeding estimates in September 2006.

Recommendation: We recommend the City take greater care in reviewing the budget vs actual comparison and amend the budget as circumstances require.

Response: We concur, and will take greater care in our budget amendment procedures.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2006

COMPLIANCE WITH STATE LAWS AND REGULATIONS

8. All City Vehicles Do Not Contain the Required Markings

Condition: At least four City vehicles did not contain the required vehicle markings.

Criteria: Section 25-1-87 of Miss. Code Ann. (1972) requires all municipal vehicles be marked except police vehicles authorized by governing authorities. This section requires vehicles to be marked in contrasting color by affixing on both sides of the vehicle a permanent decal or design which is at least twelve inches in width and height or painting the name of the municipality on each vehicle in letters at least three inches in height and on the rear of each vehicle in letters at least one and one-half inches in height.

Effect: We noted two vehicles had permanent decals on both sides of the vehicle that were ten inches tall and ten inches wide or less. We noted one vehicle did not have the City name on the rear of the vehicle and one vehicle contained a combination of capital and lower case letters on the rear. The capital letters met the requirement but the lower case letters did not meet the requirement.

Cause: This was an apparent oversight.

Recommendation: The City should inspect all City vehicles and affix the required vehicle markings on all vehicles.

Response: All City vehicles are normally inspected by the State Audit Department annually. We have never been informed that the vehicle markings did not meet the requirements.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the fiscal year ended September 30, 2005

PRIOR YEAR FINDINGS—FINANCIAL STATEMENT AUDIT

PRIOR YEAR REPORTABLE CONDITIONS

1. Segregation of Duties

Condition: The City does not have an adequate segregation of duties among accounting functions.

Recommendation: The City should have a segregation of duties among accounting functions; however, we recognize that the expense of acquiring the additional employees might be prohibitive. The Mayor and Board of Alderman should periodically review accounting functions to compensate for a lack of segregation of duties.

Status: This is still a finding in this report. See finding number 1 on page 73.

2. Utility Billing Software

Condition: The City's utility billing software program did not function correctly in separating the cash collections among the various services provided when partial payments were received.

Recommendation: The City should either properly instruct their staff in how to use the modified utility billing software program or have the software provider change the program to the original procedures that automatically post partial collections in a predetermined order.

Status: The City met with the utility billing software program provider and have removed the modification to the program that allowed them to choose which service to post to. Partial payments are now posted automatically, to the appropriate service, in the predetermined order they selected.

3. Utility Department Cutoff Procedures

Condition: The City Enterprise Funds are not always following its prescribed cutoff procedures.

Recommendation: We recommend these customers be reviewed and discussed with the City attorney to determine enforcement action.

Status: This is still a finding in this report. See finding number 2 on page 73.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the fiscal year ended September 30, 2005

PRIOR YEAR REPORTABLE CONDITIONS – CONTINUED

4. Violation of State of Mississippi Laws

Condition: As discussed in finding numbers 6, 7, 8, 9, 10, and 11 there were violations of State of Mississippi laws and regulations.

Recommendation: Management should advise its employees of relevant State of Mississippi laws and regulations. See other recommendations in finding numbers 6, 7, 8, 9, 10, and 11.

Status: This is still a finding in this report. See finding number 5 on page 75.

PRIOR YEAR COMPLIANCE AND OTHER MATTERS

5. City Enterprise Funds Were Not Deposited To the Fund That Generated the Revenues

Condition: As discussed in Finding Number 2 above, there was an error in the utility billing software that caused the incorrect amount be deposited into each Enterprise Fund.

Recommendation: We recommend the City reimburse the amount due to each Enterprise Fund.

Status: The Board of Alderman authorized the \$24,238 be transferred from the Gas System Fund to the appropriate Enterprise Fund. Collections were deposited to the correct account during the current year.

PRIOR YEAR COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS

6. Budgets

Condition: Expenditures exceeded budget in various categories. Expenditures for certain Nonmajor Special Revenue Funds were budgeted on the General Fund.

Recommendation: We recommend the City take greater care in reviewing the budget vs actual comparison and amend the budget as circumstances require.

Status: The City established budgets for the Nonmajor Special Revenue Funds; however, budgets were still exceeded in the current year. See finding number 7 on page 76.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the fiscal year ended September 30, 2005

PRIOR YEAR COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS - CONTINUED

7. Entering into Contracts with Employees

Condition: The City entered into various contracts with its employees.

Recommendation: The City should terminate all contracts with employees. The City should not enter into any future contracts with employees. The City should consult its attorney concerning the repayment of funds paid on these voided contracts.

Status: The City contacted the Ethic Commission and on their advice, terminated all existing contracts with employees. They also recovered \$10,500 as a result of voiding these contracts.

8. Violation of Purchase Laws

Condition: The City purchased an excavator under a lease purchase commitment without obtaining advertised bids for the purchase.

Recommendation: The City is required to obtain bids or quotes for purchases exceeding \$3,500 as stated above. The City should consult its attorney concerning the repayment of funds paid on this voided contract.

Status: The City voided this contract.

9. Unauthorized Transfer

Condition: The Combined Water and Sewer System Fund paid General Fund street paving expenditures without declaring that there were surplus funds in the Combined Water and Sewer System Fund and without authorizing the transfer of funds.

Recommendation: We recommend the City consult its attorney to determine the required course of action.

Status Response: No action was taken by the City. This did not reoccur during the current year.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the fiscal year ended September 30, 2005

PRIOR YEAR COMPLIANCE WITH STATE LAWS AND REGULATIONS

10. Surety Bonds

Condition: The City did not always provide a surety bond or the surety bond did not always meet the minimum requirements.

Recommendation: The City should obtain the required minimum surety bonds for all employees.

Status: All required employees appeared to be covered by the appropriate fidelity bond.

11. All City Vehicles Do Not Contain the Required Markings

Condition: At least five City vehicles did not contain the required vehicle markings.

Recommendation: The City should inspect all City vehicles and affix the required vehicle markings on all vehicles.

Status: This is still a finding in this report. See finding number 8 on page 77.