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CITY OF BRANDON, MISSISSIPPI
REPORT ON AUDIT
OF
BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

BARLOW, WALKER & HILL, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
BRANDON, MISSISSIPPI

CITY OF BRANDON
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For the Year Ended September 30, 2006

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FINANCIAL AUDIT REPORT

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Independent Auditors' Report

Honorable Mayor and Members of the Board of Aldermen
Brandon, 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 the City of Brandon, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brandon, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

The management's discussion and analysis and budgetary comparison information, 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brandon, Mississippi's, basic financial statements. The Combining and individual non-major fund financial statements and also the information listed as other supplemental information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the information listed as other supplemental information in the table of contents 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.

A handwritten signature in cursive script, reading "Paulsen, Walker & Hill, P.A.", written in dark ink.

Brandon, Mississippi
July 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Discussion and Analysis of The City of Brandon financial performance provides an overall review of the City's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the financial statements, notes to financial statements and any accompanying materials.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 were as follows:

Total net assets for 2006 increased \$1,278,473 or 5.0% from fiscal year 2005.

General revenues accounted for \$9,938,695 in revenue, or 57% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,508,799 or 43% of total revenues.

Long-term debt had a net increase of \$6,358,106 or 29.7% from fiscal year 2005. Of this amount, \$3,500,000 was 2006 Mississippi Development Bank Special Obligation bonds due in annual installments over a 20 year period through 2026 and \$4,500,000 was 2006 Tax Incremental Limited Obligation bonds due in annual installments over a 15 year period through 2021.

Overall, the book value of capital assets increased by \$5,049,375.

OVERVIEW OF 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.

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. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or

decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) and water, sewer, and sanitation charges (proprietary activities). The governmental activities of the City include general government, public safety, public works, and interest on long-term debt.

The government-wide financial statements can be found on pages 14-16 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary 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 current 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 the City's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the City's operations.

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 impact of the City's current 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 reconciliations are on pages 19 and 21, respectively.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Brandon maintains one type of proprietary fund, the enterprise fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations as well as sanitation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

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 29-47 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 50-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

One of the most important questions to ask about the City of Brandon's finances is, "Have the City's net assets increased or decreased as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the city's assets and liabilities resulting from the use of the accrual basis of accounting and economic resources focus of measurement.

Net assets. The City's combined net assets, on the accrual basis of accounting and economic resources measurement focus, increased from \$25,578,712 to \$26,857,185 between fiscal years 2005 and 2006. The following table reflects condensed information on the City's net assets:

Table 1
Net Assets
(in thousands)

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-type</u> <u>Activities</u> | | <u>Total</u> | |
|--|--|-----------------|---|-----------------|-----------------|-----------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Assets: | | | | | | |
| Current and other assets | \$11,045 | \$8,923 | \$7,364 | \$6,844 | \$18,409 | \$15,767 |
| Capital assets, net | \$25,153 | \$20,424 | \$12,398 | \$12,078 | \$37,551 | \$32,502 |
| Total Assets | \$36,198 | \$29,347 | \$19,762 | \$18,922 | \$55,960 | \$48,269 |
| Liabilities: | | | | | | |
| Current and other liabilities | \$2,040 | \$2,012 | \$1,440 | \$1,197 | \$3,480 | \$3,209 |
| Long-term liabilities | \$19,950 | \$13,298 | \$5,673 | \$6,183 | \$25,623 | \$19,481 |
| Total Liabilities | \$21,990 | \$15,310 | \$7,113 | \$7,380 | \$29,103 | \$22,690 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | \$3,989 | \$6,005 | \$8,625 | \$7,361 | \$12,614 | \$13,366 |
| Restricted | \$7,393 | \$5,245 | \$1,877 | \$1,423 | \$9,270 | \$6,668 |
| Unrestricted | \$2,826 | \$2,787 | \$2,147 | \$2,758 | \$4,973 | \$5,545 |
| Total Net Assets | \$14,208 | \$14,037 | \$12,649 | \$11,542 | \$26,857 | \$25,579 |

A portion of the City's net assets (35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,972,517 in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The situation held true for the prior fiscal year.

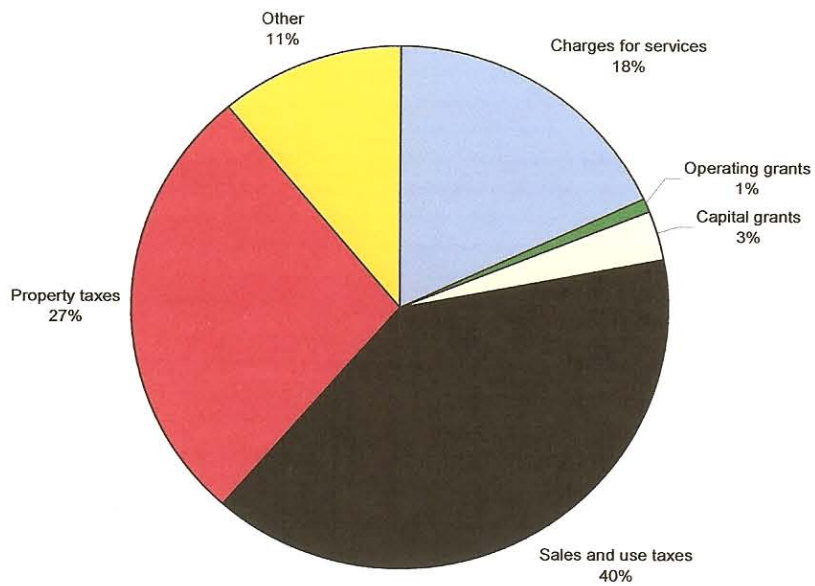
Changes in Net Assets. The City's total revenues and expenses for governmental and business-type activities are reflected in the following table:

Table 2
Changes in Net Assets
(in thousands)

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-type</u> <u>Activities</u> | | <u>Total</u> | |
|-------------------------------|--|----------------|---|----------------|-----------------|-----------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$2,137 | \$1,690 | \$4,919 | \$4,448 | \$7,056 | \$6,138 |
| Operating grants | \$99 | \$117 | | | \$99 | \$117 |
| Capital grants | \$354 | \$235 | | | \$354 | \$235 |
| General revenues: | | | | | | |
| Sales and use taxes | \$4,712 | \$3,817 | | | \$4,712 | \$3,817 |
| Property taxes | \$3,250 | \$3,064 | \$201 | \$188 | \$3,451 | \$3,252 |
| Other | \$1,318 | \$1,020 | \$457 | \$126 | \$1,775 | \$1,146 |
| Total Revenues | \$11,870 | \$9,943 | \$5,577 | \$4,762 | \$17,447 | \$14,705 |
| Program Expenses: | | | | | | |
| General government | \$1,516 | \$1,429 | | | \$1,516 | \$1,429 |
| Public safety | \$5,473 | \$4,780 | | | \$5,473 | \$4,780 |
| Public services | \$1,649 | \$1,460 | | | \$1,649 | \$1,460 |
| Culture and recreation | \$1,944 | \$1,535 | | | \$1,944 | \$1,535 |
| Water and sewer | | | \$3,671 | \$3,115 | \$3,671 | \$3,115 |
| Sanitation | | | \$799 | \$720 | \$799 | \$720 |
| Interest | \$1,117 | \$512 | | | \$1,117 | \$512 |
| Total Expenses | \$11,699 | \$9,716 | \$4,470 | \$3,835 | \$16,169 | \$13,551 |
| Increase in Net Assets | \$171 | \$227 | \$1,107 | \$927 | \$1,278 | \$1,154 |

Governmental Activities. Revenues for the City's governmental activities for the year ended September 30, 2006 were \$11,870,451 compared to \$9,942,690 in 2005. Program revenues increased 27% primarily as a result of an increase in charges for services. General revenues are, for the most part, comprised of sales and use taxes and property taxes (86%).

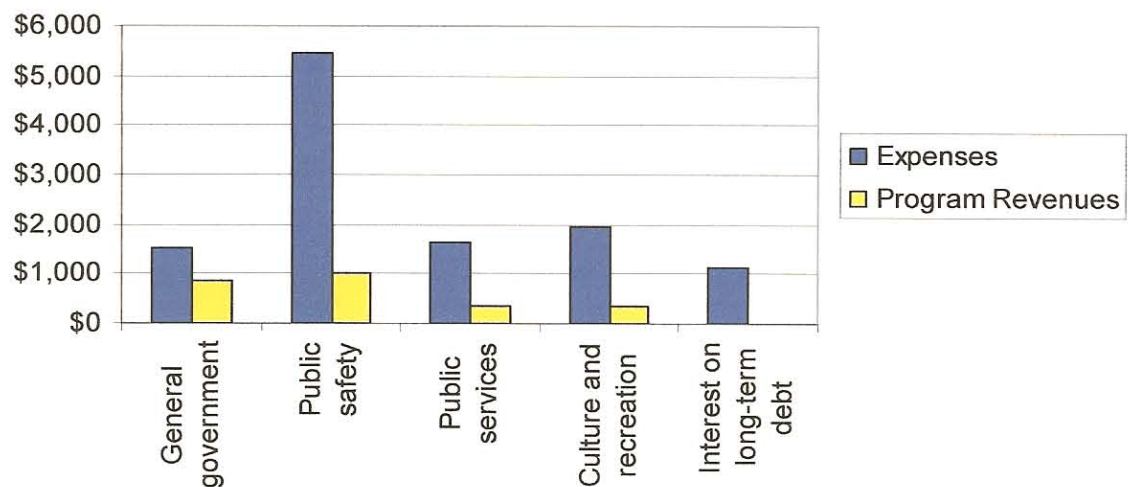
Revenues by Source – Governmental Activities



The cost of providing all governmental activities this year was \$11,698,905, an increase of \$1,983,289 from the prior year. Of this amount, general government expenses increased \$86,557; public safety expenses increased \$692,643; public services expenses increased \$188,874; culture and recreation expenses increased \$408,967; and interest on long-term debt expenses increased \$606,248.

The City's largest programs are public safety, public services, general government and culture and recreation. Expenses exceeding revenues are offset by general revenues generated by taxes, investment income and other general revenues. The graph below shows the expenses and program revenues generated by governmental activities.

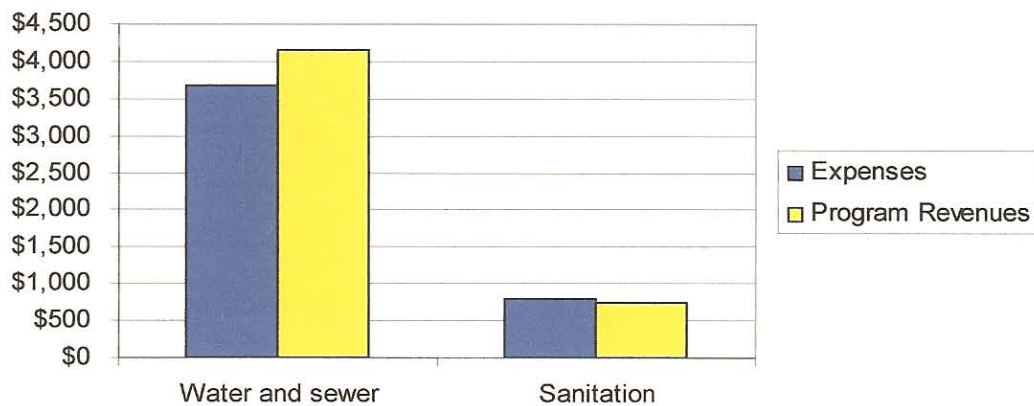
**Expenses and Program Revenues
Governmental Activities
(In Thousands)**



Business-type Activities. Revenues for business-type activities are primarily comprised of charges for services (88%). Charges for services for the City's business-type activities were \$4,918,757 for 2006, an increase of \$471,054 from 2005.

The costs of these business-type activities were \$4,470,116 for 2006, an increase of \$634,756 from 2005 due to increased water and sewer expenses.

**Expenses and Program Revenues
Business-Type Activities
(In Thousands)**



FINANCIAL ANALYSIS OF THE CITY'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 current 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 the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$10,547,933, an increase of \$2,209,628. \$3,154,418 or 30% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$7,393,515 or 70% is reserved or designated to indicate that it is not available for spending because it has already been committed.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the City revised the annual operating budget. Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and Enterprise Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2006, the City's total capital assets were \$56,782,904 including land, city buildings, infrastructure, vehicles and furniture and equipment. This amount represents an increase of \$6,775,087 from the previous year. The accumulated depreciation as of September 30, 2006 was \$19,231,312 and total depreciation expense for the year was \$1,935,290, resulting in total net assets of \$37,551,592.

Table 3
Capital Assets at September 30, 2006
(Net of Depreciation)

| | (in thousands) | | | | | |
|--------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|-----------------|-----------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Land | \$975 | \$1,039 | \$89 | \$69 | \$1,064 | \$1,108 |
| Construction in Progress | \$7,974 | \$7,121 | \$1,020 | \$46 | \$8,994 | \$7,167 |
| Buildings | \$4,892 | \$5,009 | \$0 | \$0 | \$4,892 | \$5,009 |
| Improvements other than bldg. | \$9,474 | \$5,235 | \$10,875 | \$11,547 | \$20,349 | \$16,782 |
| Machinery, equipment, vehicles | \$1,838 | \$2,020 | \$414 | \$416 | \$2,252 | \$2,436 |
| Total | \$25,153 | \$20,424 | \$12,398 | \$12,078 | \$37,551 | \$32,502 |

Additional information of the City's capital assets can be found in Note 4 on page 36 of this report.

Debt Administration. At September 30, 2006, the City had \$27,750,508 in general obligation bonds and other long-term debt outstanding as shown in the following table.

Table 4
Outstanding Notes and Long-Term Obligations

| | (in thousands) | | | | | |
|--------------------------|--------------------------------|-----------------|---------------------------------|----------------|-----------------|-----------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| General obligation bonds | \$13,265 | \$10,770 | \$0 | \$0 | \$13,265 | \$10,770 |
| Limited obligation bonds | \$7,075 | \$2,770 | \$0 | \$0 | \$7,075 | \$2,770 |
| Capital loans | \$484 | \$557 | \$6,054 | \$6,520 | \$6,538 | \$7,077 |
| Compensated absences | \$329 | \$307 | \$0 | \$0 | \$329 | \$307 |
| Capital leases | \$340 | \$321 | \$203 | \$147 | \$543 | \$468 |
| Total | \$21,493 | \$14,725 | \$6,257 | \$6,667 | \$27,750 | \$21,392 |

Additional information of the City's long-term debt can be found in Notes 5 and 6 on pages 37-42 of this report.

CURRENT ISSUES

The unemployment rate for the Rankin County and the Brandon Area is currently at 4.4 percent. This continues to be one of the lowest unemployment rates in Mississippi. The statewide average is 7.2 percent compared to the national average of 4.6 percent.

New home construction continues to be a high point for Brandon. For fiscal year 2006, 345 residential building permits were issued with a construction value of \$47.5 million. Through the first three quarters of fiscal year 2007, 185 building permits have been issued with a construction value of \$24.6 million.

Sales tax revenue continues to be strong due to new car sales and the addition of new retail stores and restaurants. Sales tax collections for Fiscal Year 2007 through August are up 5% from fiscal year 2006. Construction of additional commercial developments is expected in 2008 that will provide dining and lodging options in Brandon.

Current inflationary trends for the region are below that of the national average. The current change in CPI for Mississippi for the past 12 months is 2.3 percent verses the national average of 4.5. The most significant change is in the areas of house, food, and medical expense.

In October 2006, the City of Brandon purchased the former Jitney Premier Building with intentions of renovating to house both City Hall and a Senior Citizen Center. Renovation is now underway with a scheduled completion date of July 2008. The Senior Citizen renovation will be partially funded by a grant awarded by the state in 2004. Plans have also been made to rebuild Fire Station #2 located on Poindexter Street.

At the end of the 2006 fiscal year, the city maintained an unreserved balance in the general fund of \$2.7 million. For fiscal year 2007, the city has appropriated \$1.5 million of this for spending.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City of Brandon's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Angela Bean, City Clerk or Scott McNeill, City Comptroller at (601)825-5021.

BASIC FINANCIAL STATEMENTS

CITY OF BRANDON
STATEMENT OF NET ASSETS

September 30, 2006

| | Primary Government | | |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 9,386,385 | \$ 4,064,773 | \$ 13,451,158 |
| Investments | 452,026 | 0 | 452,026 |
| Receivables | | | |
| Accounts receivable | 4,331 | 717,053 | 721,384 |
| Allowance for bad debts | 0 | (20,291) | (20,291) |
| Interest | 2,101 | 0 | 2,101 |
| Ad valorem | 129,648 | 6,953 | 136,601 |
| Franchise tax | 157,437 | 0 | 157,437 |
| Current sales tax | 764,497 | 0 | 764,497 |
| Other receivables | 12,109 | 0 | 12,109 |
| Inventory | 0 | 54,069 | 54,069 |
| Due from other funds | (20,408) | 20,408 | 0 |
| Due from other governments | 156,689 | 0 | 156,689 |
| Total current assets | <u>11,044,815</u> | <u>4,842,965</u> | <u>15,887,780</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 0 | 2,483,990 | 2,483,990 |
| Operating rights, net of amortization | 0 | 37,250 | 37,250 |
| Capital assets | | | |
| Land and construction in progress | 8,949,022 | 1,109,419 | 10,058,441 |
| Building | 5,848,925 | 185,250 | 6,034,175 |
| Improvements other than buildings | 13,835,223 | 20,021,772 | 33,856,995 |
| Machinery, equipment and vehicles | 5,515,435 | 1,317,858 | 6,833,293 |
| Less accumulated depreciation | <u>(8,995,407)</u> | <u>(10,235,905)</u> | <u>(19,231,312)</u> |
| Capital assets, net | <u>25,153,198</u> | <u>12,398,394</u> | <u>37,551,592</u> |
| Total noncurrent assets | <u>25,153,198</u> | <u>14,919,634</u> | <u>40,072,832</u> |
| Total Assets | <u>\$ 36,198,013</u> | <u>\$ 19,762,599</u> | <u>\$ 55,960,612</u> |

See accompanying notes to financial statements.

**CITY OF BRANDON
STATEMENT OF NET ASSETS**

September 30, 2006

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 311,815 | \$ 225,684 | \$ 537,499 |
| Performance bond | 23,624 | 0 | 23,624 |
| Unearned revenue | 0 | 10,317 | 10,317 |
| Accrued interest payable | 73,885 | 473 | 74,358 |
| Deposits payable | 0 | 512,608 | 512,608 |
| Other payables | 87,558 | 12,865 | 100,423 |
| Current portion of capital improvement loan | 71,090 | 466,260 | 537,350 |
| Current portion of capital lease payable | 211,572 | 118,141 | 329,713 |
| Current portion of bonds payable | 1,260,000 | 0 | 1,260,000 |
| Due to other governments | 0 | 94,090 | 94,090 |
| Total current liabilities | <u>2,039,544</u> | <u>1,440,438</u> | <u>3,479,982</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 328,787 | 0 | 328,787 |
| Capital improvement loan | 413,239 | 5,588,107 | 6,001,346 |
| Obligation under capital lease | 128,287 | 85,025 | 213,312 |
| Bonds payable | 19,080,000 | 0 | 19,080,000 |
| Total noncurrent liabilities | <u>19,950,313</u> | <u>5,673,132</u> | <u>25,623,445</u> |
| Total Liabilities | <u>21,989,857</u> | <u>7,113,570</u> | <u>29,103,427</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 3,989,010 | 8,624,851 | 12,613,861 |
| Restricted | 7,393,515 | 1,877,292 | 9,270,807 |
| Unrestricted | 2,825,631 | 2,146,886 | 4,972,517 |
| Total Net Assets | <u>\$ 14,208,156</u> | <u>\$ 12,649,029</u> | <u>\$ 26,857,185</u> |

See accompanying notes to financial statements.

**CITY OF BRANDON
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2006

| Function / Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|------------------|-------------------------|--|--|-----------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | | |
| | | | | Governmental Activities | Business-Type Activities | Totals |
| Primary Government | | | | | | |
| Governmental activities | | | | | | |
| General government | \$ 1,515,739 | \$ 855,080 | \$ 0 | \$ (660,659) | \$ 0 | \$ (660,659) |
| Public safety | 5,472,835 | 708,453 | 98,702 | (4,461,552) | 0 | (4,461,552) |
| Public services | 1,648,980 | 299,825 | 0 | (1,292,959) | 0 | (1,292,959) |
| Culture and recreation | 1,943,880 | 274,038 | 0 | (1,576,222) | 0 | (1,576,222) |
| Interest on long-term debt | 1,117,471 | 0 | 0 | (1,117,471) | 0 | (1,117,471) |
| Total governmental activities | 11,698,905 | 2,137,396 | 98,702 | (9,108,863) | 0 | (9,108,863) |
| Business-type activities | | | | | | |
| Water and sewer | 3,671,294 | 4,168,307 | 0 | 0 | 497,013 | 497,013 |
| Sanitation | 798,822 | 750,450 | 0 | 0 | (48,372) | (48,372) |
| Total business-type activities | 4,470,116 | 4,918,757 | 0 | 0 | 448,641 | 448,641 |
| Total primary governmental | \$ 16,169,021 | \$ 7,056,153 | \$ 98,702 | \$ (9,108,863) | \$ 448,641 | \$ (8,660,222) |
| General revenues | | | | | | |
| Taxes | | | | | | |
| Sales and use taxes | | | | 4,712,415 | 0 | 4,712,415 |
| Property taxes | | | | 3,250,374 | 200,544 | 3,450,918 |
| Other taxes and shared revenue | | | | 634,522 | 0 | 634,522 |
| Investment income | | | | 391,242 | 288,976 | 680,218 |
| Gain (loss) on sale of assets | | | | (14,412) | 9,180 | (5,232) |
| Other | | | | 306,268 | 159,586 | 465,854 |
| Total general revenues and transfers | | | | 9,280,409 | 658,286 | 9,938,695 |
| Change in net assets | | | | 171,546 | 1,106,927 | 1,278,473 |
| Net assets, October 1, 2005 | | | | 14,036,610 | 11,542,102 | 25,578,712 |
| Net assets, September 30, 2006 | | | | \$ 14,208,156 | \$ 12,649,029 | \$ 26,857,185 |

See accompanying notes to financial statements.

CITY OF BRANDON
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------|-----------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,689,490 | \$ 25,856 | \$ 7,401,865 | \$ 269,174 | \$ 9,386,385 |
| Investments | 220,546 | 231,480 | 0 | 0 | 452,026 |
| Receivables | | | | | |
| Ad valorem and road taxes | 112,266 | 17,382 | 0 | 0 | 129,648 |
| Current sales tax | 764,497 | 0 | 0 | 0 | 764,497 |
| Accrued interest | 978 | 1,123 | 0 | 0 | 2,101 |
| Franchise tax | 157,437 | 0 | 0 | 0 | 157,437 |
| Other governments | 0 | 0 | 156,689 | 0 | 156,689 |
| Other receivables | 10,699 | 0 | 0 | 1,410 | 12,109 |
| Due from other funds | 513,366 | 9,147 | 31,883 | 3,978 | 558,374 |
| Total Assets | \$ 3,469,279 | \$ 284,988 | \$ 7,590,437 | \$ 274,562 | \$ 11,619,266 |

See accompanying notes to financial statements.

CITY OF BRANDON
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-----------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 296,286 | \$ 0 | \$ 0 | \$ 2,840 | \$ 299,126 |
| Accrued interest payable | 249 | 73,636 | 0 | 0 | 73,885 |
| Performance bond | 23,624 | 0 | 0 | 0 | 23,624 |
| Accrued wages payable | 87,558 | 0 | 0 | 0 | 87,558 |
| Due to other funds | 354,105 | 34,074 | 196,922 | 2,039 | 587,140 |
| Total Liabilities | 761,822 | 107,710 | 196,922 | 4,879 | 1,071,333 |
| Fund Balance | | | | | |
| Reserved for | | | | | |
| Encumbrances | 0 | 0 | 0 | 0 | 0 |
| Debt service | 0 | 0 | 0 | 0 | 0 |
| Capital outlay | 0 | 0 | 7,393,515 | 0 | 7,393,515 |
| Unreserved | 2,707,457 | 177,278 | 0 | 269,683 | 3,154,418 |
| Total Fund Balance | 2,707,457 | 177,278 | 7,393,515 | 269,683 | 10,547,933 |
| Total Liabilities and Fund Balance | \$ 3,469,279 | \$ 284,988 | \$ 7,590,437 | \$ 274,562 | \$ 11,619,266 |

See accompanying notes to financial statements.

CITY OF BRANDON
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
September 30, 2006

| | | | |
|--|----|--------------------|--------------------------|
| Fund Balances - total governmental funds | | \$ | 10,547,933 |
| Amounts reported for governmental activities in Statement of Net Assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds | | | |
| Governmental capital assets | \$ | 34,148,605 | |
| Less accumulated depreciation | | <u>(8,995,407)</u> | 25,153,198 |
| Liabilities are not due and payable and therefore are not reported in the governmental funds | | | <u>(21,492,975)</u> |
| Net Assets of Governmental Activities | \$ | | <u><u>14,208,156</u></u> |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2006

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 2,685,665 | \$ 564,709 | \$ 0 | \$ 0 | \$ 3,250,374 |
| Licenses and permits | 1,097,669 | 0 | 0 | 0 | 1,097,669 |
| State shared revenues | 5,027,911 | 0 | 92,000 | 0 | 5,119,911 |
| County shared revenues | 679,672 | 0 | 0 | 0 | 679,672 |
| Fines and forfeits | 700,163 | 0 | 0 | 8,290 | 708,453 |
| Charges for services | 69,051 | 0 | 0 | 262,223 | 331,274 |
| Other | 412,514 | 3,240 | 269,065 | 12,691 | 697,510 |
| Total Revenues | 10,672,645 | 567,949 | 361,065 | 283,204 | 11,884,863 |
| Expenditures | | | | | |
| Current (operating) | | | | | |
| General government | 1,424,218 | 0 | 0 | 0 | 1,424,218 |
| Public safety | 4,890,743 | 0 | 0 | 7,083 | 4,897,826 |
| Public services | 1,115,331 | 0 | 0 | 0 | 1,115,331 |
| Culture and recreation | 1,329,630 | 0 | 0 | 232,876 | 1,562,506 |
| Capital outlay | 663,225 | 0 | 5,483,537 | 38,866 | 6,185,628 |
| Debt service | | | | | |
| Principal | 223,014 | 1,200,000 | 0 | 15,598 | 1,438,612 |
| Interest and fiscal charges | 26,516 | 633,332 | 456,916 | 707 | 1,117,471 |
| Total Expenditures | 9,672,677 | 1,833,332 | 5,940,453 | 295,130 | 17,741,592 |
| Excess of revenues over (under) expenditures | 999,968 | (1,265,383) | (5,579,388) | (11,926) | (5,856,729) |
| Other financing sources and uses, including transfers | | | | | |
| Proceeds from sale of bonds | 0 | 0 | 8,000,000 | 0 | 8,000,000 |
| Proceeds from sale of assets | 63,387 | 0 | 0 | 2,970 | 66,357 |
| Transfers in | 0 | 1,515,356 | 0 | 0 | 1,515,356 |
| Transfers out | (1,243,695) | 0 | (271,661) | 0 | (1,515,356) |
| Total other financing sources and (uses) | (1,180,308) | 1,515,356 | 7,728,339 | 2,970 | 8,066,357 |
| Net change in fund balances | (180,340) | 249,973 | 2,148,951 | (8,956) | 2,209,628 |
| Fund balances, October 1, 2005 | 2,887,797 | (72,695) | 5,244,564 | 278,639 | 8,338,305 |
| Fund balances, September 30, 2006 | \$ 2,707,457 | \$ 177,278 | \$ 7,393,515 | \$ 269,683 | \$ 10,547,933 |

See accompanying notes to financial statements.

CITY OF BRANDON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

| | | |
|--|----|-----------|
| Net Change in Fund Balances - total governmental funds | \$ | 2,209,628 |
|--|----|-----------|

Amounts reported for governmental activities in Statement of Net Assets
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is
depreciated over their estimated useful lives:

| | | | |
|---------------------------------|----|--------------------|-----------|
| Expenditures for capital assets | \$ | 5,759,381 | |
| Less current year depreciation | | <u>(1,133,595)</u> | 4,625,786 |

| | | |
|--|--|----------|
| Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses or reduction of expenses of the current year. | | (21,711) |
|--|--|----------|

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. Repayment of bond principal is an
expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the Statement of Net Assets.

| | | | |
|--------------------|----|------------------|-------------|
| Bond proceeds | \$ | (8,000,000) | |
| Repayment of bonds | | <u>1,438,612</u> | (6,561,388) |

| | | |
|---|--|-----------------|
| When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Net Assets | | <u>(80,769)</u> |
|---|--|-----------------|

| | | |
|--|----|-----------------------|
| Change in Net Assets of Governmental Funds | \$ | <u><u>171,546</u></u> |
|--|----|-----------------------|

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF NET ASSETS
PROPRIETY FUNDS
September 30, 2006

| | Business-Type Activities Enterprise Funds | | |
|---------------------------------------|--|--------------------|----------------------|
| | Water & Sewer Fund | Sanitation Fund | Totals |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 3,607,947 | \$ 456,826 | \$ 4,064,773 |
| Receivables | | | |
| Accounts receivable | 652,859 | 64,194 | 717,053 |
| Allowance for bad debts | (20,291) | 0 | (20,291) |
| Interest | 0 | 0 | 0 |
| Ad valorem | 0 | 6,953 | 6,953 |
| Inventory | 54,069 | 0 | 54,069 |
| Due from other funds | 226,068 | 71,905 | 297,973 |
| Due from other governments | 0 | 0 | 0 |
| Total current assets | <u>4,520,652</u> | <u>599,878</u> | <u>5,120,530</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 2,483,990 | 0 | 2,483,990 |
| Operating rights, net of amortization | 37,250 | 0 | 37,250 |
| Capital assets | | | |
| Land and construction in progress | 1,109,419 | 0 | 1,109,419 |
| Building | 185,250 | 0 | 185,250 |
| Improvements other than buildings | 20,021,772 | 0 | 20,021,772 |
| Machinery, equipment and vehicles | 1,123,605 | 194,253 | 1,317,858 |
| Less accumulated depreciation | <u>(10,048,222)</u> | <u>(187,683)</u> | <u>(10,235,905)</u> |
| Capital assets, net | <u>12,391,824</u> | <u>6,570</u> | <u>12,398,394</u> |
| Total noncurrent assets | <u>14,913,064</u> | <u>6,570</u> | <u>14,919,634</u> |
| Total Assets | <u>\$ 19,433,716</u> | <u>\$ 606,448</u> | <u>\$ 20,040,164</u> |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF NET ASSETS
PROPRIETY FUNDS
September 30, 2006

| | Business-Type Activities Enterprise Funds | | |
|---|--|--------------------|----------------------|
| | Water & Sewer Fund | Sanitation Fund | Totals |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 170,713 | \$ 54,971 | \$ 225,684 |
| Unearned revenue | 10,317 | 0 | 10,317 |
| Accrued interest payable | 473 | 0 | 473 |
| Deposits payable | 512,608 | 0 | 512,608 |
| Other payables | 12,403 | 462 | 12,865 |
| Current portion of capital improvement loan | 466,260 | 0 | 466,260 |
| Current portion of capital lease payable | 118,141 | 0 | 118,141 |
| Due to other governments | 94,090 | 0 | 94,090 |
| Due to other funds | 82,015 | 195,550 | 277,565 |
| Total current liabilities | <u>1,467,020</u> | <u>250,983</u> | <u>1,718,003</u> |
| Noncurrent liabilities | | | |
| Capital improvement loan | 5,588,107 | 0 | 5,588,107 |
| Obligation under capital lease | 85,025 | 0 | 85,025 |
| Total noncurrent liabilities | <u>5,673,132</u> | <u>0</u> | <u>5,673,132</u> |
| Total Liabilities | <u>7,140,152</u> | <u>250,983</u> | <u>7,391,135</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 8,618,281 | 6,570 | 8,624,851 |
| Restricted for HSUC payments | 1,877,292 | 0 | 1,877,292 |
| Unrestricted | 1,797,991 | 348,895 | 2,146,886 |
| Total Net Assets | <u>\$ 12,293,564</u> | <u>\$ 355,465</u> | <u>\$ 12,649,029</u> |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETY FUNDS
For the Year Ended September 30, 2006

| | Business-Type Activities Enterprise Funds | | |
|--|--|--------------------|---------------|
| | Water & Sewer Fund | Sanitation Fund | Totals |
| Operating Revenues | | | |
| Charges for services | \$ 4,168,307 | \$ 750,450 | \$ 4,918,757 |
| Total operating revenues | 4,168,307 | 750,450 | 4,918,757 |
| Operating Expenses | | | |
| Personal services | 735,662 | 39,038 | 774,700 |
| Supplies, services and other charges | 2,009,148 | 751,015 | 2,760,163 |
| Depreciation and amortization | 794,051 | 8,769 | 802,820 |
| Total operating expenses | 3,538,861 | 798,822 | 4,337,683 |
| Operating income (loss) | 629,446 | (48,372) | 581,074 |
| Nonoperating revenues (expenses) | | | |
| Taxes | 0 | 200,544 | 200,544 |
| Gain from sale of asset | 9,180 | 0 | 9,180 |
| Interest income | 272,842 | 16,134 | 288,976 |
| Miscellaneous income | 159,586 | 0 | 159,586 |
| Interest expense and bond fees | (132,433) | 0 | (132,433) |
| Total nonoperating revenues (expenses) | 309,175 | 216,678 | 525,853 |
| Income (loss) before transfers | 938,621 | 168,306 | 1,106,927 |
| Transfers in | 0 | 0 | 0 |
| Transfers out | 0 | 0 | 0 |
| Change in net assets | 938,621 | 168,306 | 1,106,927 |
| Total net assets, October 1, 2005 | 11,354,943 | 187,159 | 11,542,102 |
| Total net assets, September 30, 2006 | \$ 12,293,564 | \$ 355,465 | \$ 12,649,029 |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF CASH FLOWS
PROPRIETY FUNDS
For the Year Ended September 30, 2006

| | Business-Type Activities Enterprise Funds | | |
|---|--|--------------------|--------------------|
| | Water & Sewer Fund | Sanitation Fund | Totals |
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 4,196,087 | \$ 745,060 | \$ 4,941,147 |
| Cash payments for goods and services | (1,992,334) | (744,013) | (2,736,347) |
| Cash payments to employees | (736,364) | (38,608) | (774,972) |
| Net cash provided (used) by operating activities | <u>1,467,389</u> | <u>(37,561)</u> | <u>1,429,828</u> |
| Cash flows from non-capital financing activities | | | |
| Taxes collected | <u>0</u> | <u>199,895</u> | <u>199,895</u> |
| Net cash provided (used) by non-capital financing activities | <u>0</u> | <u>199,895</u> | <u>199,895</u> |
| Cash flows from capital and related financing activities | | | |
| Principal paid on notes payable and capital leases | (494,747) | 0 | (494,747) |
| Interest paid on notes and capital leases | (136,102) | 0 | (136,102) |
| Acquisition of service rights | 0 | 0 | 0 |
| Acquisition and construction of capital assets | (1,121,671) | 0 | (1,121,671) |
| Proceeds from sale of capital assets | 9,180 | 0 | 9,180 |
| Proceeds from capital loan and leases | 85,372 | 0 | 85,372 |
| Decrease (increase) in due from other funds | 220 | (2,745) | (2,525) |
| Decrease (increase) in due from other governments | 0 | 0 | 0 |
| (Decrease) Increase in due to other funds | (4,491) | 0 | (4,491) |
| (Decrease) Increase in due to other governments | <u>29,797</u> | <u>0</u> | <u>29,797</u> |
| Net cash used for capital and related financing activities | <u>(1,632,442)</u> | <u>(2,745)</u> | <u>(1,635,187)</u> |
| Cash flows from investing activities | | | |
| Interest on investments | 272,842 | 16,134 | 288,976 |
| Other | <u>159,586</u> | <u>0</u> | <u>159,586</u> |
| Net cash provided (used) by investing activities | <u>432,428</u> | <u>16,134</u> | <u>448,562</u> |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF CASH FLOWS
PROPRIETY FUNDS
For the Year Ended September 30, 2006

| | Business-Type Activities Enterprise Funds | | |
|---|--|--------------------|--------------|
| | Water & Sewer Fund | Sanitation Fund | Totals |
| Net increase (decrease) in cash and cash equivalents | 267,375 | 175,723 | 443,098 |
| Cash and cash equivalents October 1, 2005 | 5,824,562 | 281,103 | 6,105,665 |
| Cash and cash equivalents September 30, 2006 | 6,091,937 | 456,826 | 6,548,763 |
| Cash and cash equivalents consists of the following balance sheet amounts | | | |
| Cash and cash equivalents | 3,607,947 | 456,826 | 4,064,773 |
| Restricted cash and cash equivalents | 2,483,990 | 0 | 2,483,990 |
| | 6,091,937 | 456,826 | 6,548,763 |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating Income (Loss) | 629,446 | (48,372) | 581,074 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation | 792,926 | 8,769 | 801,695 |
| Amortization | 1,125 | 0 | 1,125 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in accounts receivable | (26,141) | (5,390) | (31,531) |
| (Increase) decrease in inventory | (39,486) | 0 | (39,486) |
| Increase (decrease) in vouchers payable | 58,420 | 7,432 | 65,852 |
| Increase in customer meter deposits | 50,563 | 0 | 50,563 |
| Increase (decrease) in unearned revenue | 3,358 | 0 | 3,358 |
| Increase (decrease) in other payables | (2,822) | 0 | (2,822) |
| Net cash provided (used) by operating activities | \$ 1,467,389 | \$ (37,561) | \$ 1,429,828 |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2006

| | Expendable Trust | Agency Trust |
|---------------------------|--------------------------------|---|
| | Employment Security Fund | Municipal Court Fine Assessment Fund |
| ASSETS | | |
| Cash and cash equivalents | \$ 20,243 | \$ 0 |
| Due from other funds | <u>0</u> | <u>12,689</u> |
| Total Assets | <u>20,243</u> | <u>12,689</u> |
| LIABILITIES | | |
| Due to other governments | 0 | 12,689 |
| Due to other funds | <u>4,331</u> | <u>0</u> |
| Total Liabilities | <u>4,331</u> | <u>12,689</u> |
| NET ASSETS | | |
| Held in trust | \$ <u><u>15,912</u></u> | \$ <u><u>0</u></u> |

See accompanying notes to financial statements.

CITY OF BRANDON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2006

| | Expendable Trust |
|--------------------------------------|--|
| | <u> </u> |
| | Employment Security Fund |
| | <u> </u> |
| Revenues | |
| Interest earnings | \$ <u> 882 </u> |
| Total revenues | <u> 882 </u> |
| Expenses | <u> 0 </u> |
| Change in net assets | 882 |
| Total net assets, October 1, 2005 | <u> 15,030 </u> |
| Total net assets, September 30, 2006 | \$ <u><u> 15,912 </u></u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies

The City of Brandon was incorporated on December 19, 1831. The city operates under a mayor-board of aldermen form of government (also known as "code charter form") and provides all of the rights and privileges provided by statute for municipalities. The accounting policies of the City of Brandon conform to generally accepted accounting principles as applicable to governments. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The following is a summary of the more significant accounting policies:

A. Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports. The City began using the GASB 34 financial reporting model for the year ended September 30, 2003.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities.

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes current assets and liabilities as well as capital assets and long-term liabilities. Accrual accounting also reports all the revenues and cost of providing services each year, not just those received or paid that year.

Statement of Net Assets - The statement of Net Assets is designed to display the financial position of the primary government (governmental and business-type activities) and its component units. Governments will report all capital assets, including infrastructure, in the government-wide statement of net assets and will report depreciation expense in the statement of activities.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions.

Fund financial statements - Fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include a reconciliation to the government-wide statement.

Budgetary comparison schedules - Compliance with the adopted budget is an important component of the government's accountability to the public.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, have been applied.

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body *and* either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose a financial burden on, the primary government. A primary government may also be financially accountable for organizations that are financially dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based on the application of the criteria above, no component units of the City of Brandon were identified.

B. Government-wide 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 City. 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.

The statement of activities demonstrates the degree to which expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from services or privileges provided and grants and contributions that are restricted to meeting certain operational or capital needs of a function. Taxes and other items not included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, propriety funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and propriety funds are reported in separate columns in the fund financial statements.

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

The governmental-wide financial statements, propriety fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

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Governmental fund 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. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenues when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest payments on general long-term debt, which are recognized when due.

Major Governmental Funds

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities (other than those financed by proprietary funds).

Non-Major Governmental Fund Types

Special Revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include the Special Assessment Fund, Drug Seizure Fund and Youth Program Fund.

Major Proprietary Fund

The Water and Sewer Fund and Sanitation Fund is used to account for the operations of the City's water and wastewater systems and waste disposal respectively, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust Funds and agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds using a modified accrual basis of accounting as discussed in above. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

D. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following useful lives:

| | |
|------------------------------------|-------------|
| Computer Equipment and Peripherals | 3 years |
| Vehicles and Equipment | 5 years |
| Heavy Equipment | 10 years |
| Furniture and Fixtures | 7 years |
| Improvements other than Buildings | 20 years |
| Infrastructure | 20-50 years |

E. Long-term Debt

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 statement of net assets.

F. Budget and Budgetary Accounting

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

1. Prior to September 1, the Mayor submits to the Board of Aldermen 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.
2. During September, the budget must be published in a newspaper published in the city (or the county if none is published by the city).
3. Prior to the adoption of the budget, at least one public hearing is held by the Board of Aldermen to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing must be held at least one week prior to the adoption of the budget with advance notice and held outside normal working hours.
4. Prior to September 15, the budget is legally enacted through passage of an ordinance.
5. Routine budget revisions may be made by the Board as often as necessary. However, when a department's total budget has been revised up or down by ten percent (10%) or more, public notice must be given of the change. Also, during the first three months of office, while operating under the prior Board's budget, the new Board is limited to one revision if a deficit is evident.

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

6. It is the City's policy for the Board to approve all budget transfers between departments and/or funds.
7. Formal budgetary integration is employed as a management control device during the year for the various funds. Budgeting data presented is as originally adopted or amended by the Board of Aldermen.
8. Budgets for the various funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) but rather on a modified cash basis as required by State statutes.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized throughout the year as a management tool, but is not used for financial reporting purposes.

H. Inventory

No inventories are maintained in the General Fund. Supplies are recorded as an expenditure when purchased. Inventories in the Proprietary Fund Type consist of supplies and are recorded at cost (calculated on the first-in, first-out basis).

I. Due From Other Funds

Short-term amounts owed between funds are classified as "due to/from other funds" and are considered "available spendable resources". These amounts are eliminated in the government-wide financial statements.

J. Compensated Absences

The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's accumulated unused hours and rate of pay. All compensated absences are accrued when incurred in the governmental-wide and proprietary fund financial statements. Compensated absences expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

K. Comparative Data

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

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

L. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

M. Restricted Assets

The use of certain assets may be restricted by specific provisions of bond resolutions and/or agreements with various parties. Assets so designated are identified as restricted assets on the statement of net assets. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

N. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund-balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and the change in net assets of governmental activities as reported in the government-wide statement of activities.

O. Restricted Cash

Below is a reconciliation of various restricted cash and investments:

| | | |
|---------------------------------------|----|------------------|
| Reserved for HSUC Payments | \$ | 1,971,382 |
| Customer Meter Deposits | | <u>512,608</u> |
| Total Restricted Cash and Investments | | |
| As of September 30, 2005 | \$ | <u>2,483,990</u> |

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

(2) Cash Deposits

Mississippi Code Section 21-33-323 allows municipalities to maintain deposits in banks and savings and loan associations insured by the Federal Deposit Insurance Corporation. Municipalities may also invest in obligations of the United States of America or the State of Mississippi, or of any county, school district or municipal bonds that have been approved by a reputable bond attorney or have been validated by decree of the chancery court, or in obligations 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.

State statute requires that all deposits in financial institutions be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC). The City participates in the State Treasurer's collateral pool. The City's deposits were fully insured or collateralized with securities held by this pool at September, 30 2006.

At September 30, 2006, the carrying amount of the City's deposits was \$16,407,417 and the bank balance was \$16,577,501. All investments by the City of Brandon during the year were in bank certificates of deposits.

(3) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and are payable on or before February 1. All property taxes are collected and remitted to the city by the county tax collector. The millage rate for the city for January through December, 2005, was 24 mills. Of that amount, 19 mills were for general fund, 3.50 mills for the debt service fund, and 1.5 mills for the sanitation fund.

The taxes were distributed to funds in accordance with prescribed tax levies. A tax sale was held for uncollected taxes. Remaining uncollected taxes were not accrued.

Ad valorem tax collections were within the limitations of Section 27-39-320 to 27-39-329 as follows:

| | | | |
|---------------------|--------------------|---------------------|--|
| \$ 3,142,917 | Base 2004-2005 | \$ 2,824,079 | Taxes Collected 2004-2005 |
| 314,292 | 10% Increase | 77,295 | Homestead Exemption Reimbursement 2003-2004 |
| <u>3,457,209</u> | | <u>2,901,374</u> | Total Collections |
| 133,543 | Exempt Collections | 689,378 | Under Limitation |
| <u>\$ 3,590,752</u> | Total | <u>\$ 3,590,752</u> | Total |

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

(4) Capital Assets

A summary of changes in Capital Assets at September 30, 2006 follows:

| | Balance 10/01/05 | Increases | Decrease | Complete CIP | Balance 09/30/06 |
|---------------------------------|----------------------|---------------------|------------------|--------------------|----------------------|
| Governmental Activities | | | | | |
| Non-depreciable | | | | | |
| Land | \$ 1,038,859 | \$ 0 | \$ 64,170 | \$ 0 | \$ 974,689 |
| Construction in progress | 7,120,970 | 5,412,546 | 0 | (4,559,183) | 7,974,333 |
| Total | <u>8,159,829</u> | <u>5,412,546</u> | <u>64,170</u> | <u>(4,559,183)</u> | <u>8,949,022</u> |
| Depreciable | | | | | |
| Buildings | 5,848,925 | 0 | 0 | 0 | 5,848,925 |
| Improvement other than bldg. | 9,119,573 | 156,467 | 0 | 4,559,183 | 13,835,223 |
| Machinery, equip. & vehicles | 5,308,883 | 374,750 | 168,198 | 0 | 5,515,435 |
| Total | <u>20,277,381</u> | <u>531,217</u> | <u>168,198</u> | <u>4,559,183</u> | <u>25,199,583</u> |
| Less accum. depreciation | | | | | |
| Buildings | 839,806 | 116,978 | 0 | 0 | 956,784 |
| Improvement other than bldg. | 3,885,060 | 476,423 | 0 | 0 | 4,361,483 |
| Machinery, equip. & vehicles | 3,288,545 | 540,194 | 151,599 | 0 | 3,677,140 |
| Total | <u>8,013,411</u> | <u>1,133,595</u> | <u>151,599</u> | <u>0</u> | <u>8,995,407</u> |
| Net book value | <u>12,263,970</u> | <u>(602,378)</u> | <u>16,599</u> | <u>4,559,183</u> | <u>16,204,176</u> |
| Governmental Activities, net | <u>\$ 20,423,799</u> | <u>\$ 4,810,168</u> | <u>\$ 80,769</u> | <u>\$ 0</u> | <u>\$ 25,153,198</u> |
| Business-type Activities | | | | | |
| Non-depreciable | | | | | |
| Land | \$ 69,135 | \$ 19,800 | \$ 0 | \$ 0 | \$ 88,935 |
| Construction in progress | 46,369 | 974,115 | 0 | 0 | 1,020,484 |
| Total | <u>115,504</u> | <u>993,915</u> | <u>0</u> | <u>0</u> | <u>1,109,419</u> |
| Depreciable | | | | | |
| Buildings | 185,250 | 0 | 0 | 0 | 185,250 |
| Improvement other than bldg. | 19,984,479 | 37,293 | 0 | 0 | 20,021,772 |
| Machinery, equip. & vehicles | 1,285,374 | 90,463 | 57,979 | 0 | 1,317,858 |
| Total | <u>21,455,103</u> | <u>127,756</u> | <u>57,979</u> | <u>0</u> | <u>21,524,880</u> |
| Less accum. depreciation | | | | | |
| Buildings | 185,250 | 0 | 0 | 0 | 185,250 |
| Improvement other than bldg. | 8,437,568 | 709,047 | 0 | 0 | 9,146,615 |
| Machinery, equip. & vehicles | 869,371 | 92,648 | 57,979 | 0 | 904,040 |
| Total | <u>9,492,189</u> | <u>801,695</u> | <u>57,979</u> | <u>0</u> | <u>10,235,905</u> |
| Business-type Activities, net | <u>\$ 12,078,418</u> | <u>\$ 319,976</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 12,398,394</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| General government | \$ 75,041 |
| Public safety | 422,165 |
| Public service | 370,450 |
| Culture and recreation | 265,939 |
| Total depreciation expense | <u>\$ 1,133,595</u> |

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

(5) Obligations under capital lease:

The City has entered into ten lease agreements as of September 30, 2006, which qualify as capital leases for accounting purposes. These are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| \$124,318 lease dated June 19, 2004, for the acquisition of seven trucks. Lease terms are 36 monthly payments of \$3,603. | \$ 32,057 | \$ |
| \$351,870 lease dated October 12, 2004, for the acquisition of fifteen police cars. Lease terms are 36 monthly payments of \$10,191. | 130,397 | |
| \$133,051 lease dated July 11, 2006, for the acquisition of vehicles. Lease terms are 36 monthly payments of \$3,931. | 126,074 | |
| \$24,078 lease dated September 8, 2006, for the acquisition of one truck. Lease terms are 36 monthly payments of \$711. | 24,078 | |
| \$27,253 lease dated September 22, 2006, for the acquisition of a dump truck. Lease terms are 36 monthly payments of \$805. | 27,253 | |
| \$69,568 lease dated November 15, 2003, for the acquisition of a excavator. Lease terms are 36 monthly payments of \$973 followed by a balloon payment of \$39,500. | | 41,150 |
| \$64,702 lease dated November 15, 2003, for the acquisition of a tractor. Lease terms are 36 monthly payments of \$845 followed by a balloon payment of \$38,982. | | 40,381 |
| \$54,496 lease dated October 15, 2004, for the acquisition of a backhoe. Lease terms are 36 monthly payments of \$854 followed by a balloon payment of \$27,600. | | 37,552 |
| \$24,594 lease dated July 11, 2006, for the acquisition of a Kubota. Lease terms are 36 monthly payments of \$727. | | 23,305 |

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Notes to Financial Statements
September 30, 2006

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| \$60,778 lease dated September 22, 2006, for the acquisition of three trucks. Lease terms are 36 monthly payments of \$1,795. | | 60,778 |
| Total Obligations Under Capital Leases | \$ 339,859 | \$ 203,166 |

As of September 30, 2006, the City had future minimum payments under capital leases as follows:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| 2007 | \$ 220,085 | \$ 122,635 |
| 2008 | 75,555 | 58,719 |
| 2009 | 57,502 | 28,812 |
| Total | 353,142 | 210,166 |
| Less amount representing interest | 13,283 | 7,000 |
| Present value of future minimum lease payments | \$ 339,859 | \$ 203,166 |
| Cost of equipment | \$ 660,570 | \$ 274,138 |
| Accumulated depreciation | \$ 227,217 | \$ 100,444 |

(6) Long-Term Debt

Bonds and capital improvement loans payable at September 30, 2006 are comprised of the following:

| Description | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| \$1,000,000 Capital Improvement Revolving Loan for improvements through the Mississippi Department of Economic and Community Development. Payments are \$7,247 monthly for 15 years through 1/1/2013. Interest is 3.7% APR. | \$ 484,329 | \$ |
| \$180,434 Capital Improvement Revolving Loan for water and sewer improvements through the Mississippi Department of Economic and Community Development. Payments are \$1,307 monthly for 15 years through 5/1/2012. Interest is 3.7% APR. | | 79,000 |

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

| <u>Description</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| \$294,609 Capital Improvement Revolving Loan for sewer improvements through the Mississippi Department of Economic and Community Development. Payments are \$2,066 monthly for 15 years through 6/1/2015. Interest is 3% APR. | | 186,023 |
| \$288,750 Capital Improvement Revolving Loan for sewer improvements through the Mississippi Department of Economic and Community Development. Payments are \$1,994 monthly for 15 years through 6/1/2015. Interest is 3% APR. | | 182,324 |
| \$358,900 Capital Improvement Revolving Loan for sewer improvements through the Mississippi Department of Economic and Community Development. Payments are \$2,823 monthly for 15 years through 6/1/2014. Interest is 3% APR. | | 214,891 |
| \$611,100 Capital Improvement Revolving Loan for sewer improvements through the Mississippi Department of Economic and Community Development. Payments are \$4,520 monthly for 15 years through 1/1/2014. Interest is 4% APR. | | 340,652 |
| \$5,619,951 Water Pollution Control Revolving Loan for pollution control improvements through the Mississippi Commission on Environmental Quality. Payments are \$36,228 monthly for 15 years through 9/1/2019. Interest is 1.75% APR. | | 5,051,477 |
| Total Capital Improvement Loan Payable | 484,329 | 6,054,367 |
| <u>General Obligation Bonds</u> | | |
| \$1,500,000 1992 General Obligation Drainage Improvement coupon bonds due in annual installments ranging from \$65,000 to \$150,000 for 15 years through March 1, 2007 with interest at an average rate of 5.92%. This issue to be payable from an annual levy of special tax upon all taxable property within the city. | 150,000 | |

CITY OF BRANDON
Notes to Financial Statements
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| <u>Description</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| \$2,500,000 2000 General Obligation coupon bonds due in annual installments ranging from \$110,000 to \$240,000 for 15 years through October 2015, with interest averaging 4.98%. | 1,885,000 | |
| \$2,000,000 2002 General Obligation coupon bonds due in semi annual installments ranging from \$165,000 to \$240,000 for 10 years through May 2012, with interest averaging 4.07%. | 1,300,000 | |
| \$1,000,000 2002B General Obligation Street Improvement coupon bonds due in annual installments ranging from \$85,000 to \$120,000 for 10 years through December 2012, with interest at an average rate of 3.24%. | 740,000 | |
| \$1,745,000 2002 General Obligation Refunding coupon bonds due in annual installments ranging from \$190,000 to \$250,000 for 8 years through February 2010, with interest at an average rate of 2.67%. | 930,000 | |
| \$5,000,000 2005 General Obligation Capital Improvement coupon bonds due in annual installments ranging from \$240,000 to \$445,000 for 15 years through March 2020, with interest at 4%. | 4,760,000 | |
| \$3,500,000 Mississippi Development Bank Special Obligation Bonds due in annual installments ranging from \$120,000 to \$250,000 for 20 years through September 2026, with interest ranging from 4% to 5%. | 3,500,000 | |
| Total General Obligation Bonds | 13,265,000 | 0 |

Limited Obligation Bonds

| | |
|--|-----------|
| \$3,300,000 2001 Tax Increment Limited Obligation Bonds due in annual installments ranging from \$170,000 to \$320,000 for 15 years through September 2016, with interest at an average rate of 4.54%. This issue to be payable from the incremental tax revenues generated by Ergon Properties. | 2,575,000 |
|--|-----------|

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

| <u>Description</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| \$4,500,000 2006 Tax Incremental Limited Obligation Bonds due in annual installments ranging from \$225,000 to \$415,000 for 15 years through August 2021, with interest ranging from 5% to 5.5%. This issue to be payable from the incremental tax revenues generated by Gray Properties. | 4,500,000 | |
| Total Limited Obligation Bonds | 7,075,000 | 0 |
| Total Capital Improvement Loans and Bonds Payable | \$ 20,824,329 | \$ 6,054,367 |

Transactions for the fiscal year ended September 30, 2006 are summarized as follows:

| | <u>Balance 10/01/05</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 09/30/06</u> |
|---------------------------------|-----------------------------|------------------|-----------------|-----------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital improvement loans | \$ 557,253 | \$ 0 | \$ 72,924 | \$ 484,329 |
| General obligation bonds | 10,770,000 | 3,500,000 | 1,005,000 | 13,265,000 |
| Limited obligation bonds | 2,770,000 | 4,500,000 | 195,000 | 7,075,000 |
| Obligations under capital lease | 321,165 | 184,382 | 165,688 | 339,859 |
| Compensated absences | 307,076 | 21,711 | 0 | 328,787 |
| Total governmental activities | 14,725,494 | 8,206,093 | 1,438,612 | 21,492,975 |
| <u>Business-type Activities</u> | | | | |
| Capital improvement loans | 6,519,744 | 0 | 465,377 | 6,054,367 |
| Obligations under capital lease | 147,164 | 85,372 | 29,370 | 203,166 |
| Total business-type activities | 6,666,908 | 85,372 | 494,747 | 6,257,533 |
| Total government-wide | \$ 21,392,402 | \$ 8,291,465 | \$ 1,933,359 | \$ 27,750,508 |

General Obligation Bonds

General obligation bonds are directed obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds require the City to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

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Notes to Financial Statements
September 30, 2006

Limited Obligation Bonds

Limited obligation bonds are directed obligations issued on a pledge of incremental tax revenues generated by Ergon Properties and Gray Properties.

The annual requirements to amortize loans and bonds outstanding as of September 30, 2006, including interest payments are as follows:

| Fiscal Year Ended September 30 | Governmental Activities | | Business-type Activities | | Total |
|--------------------------------------|----------------------------|---------------------|-----------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2007 | \$ 1,331,090 | \$ 874,485 | \$ 466,260 | \$ 118,175 | \$ 2,790,010 |
| 2008 | 1,578,766 | 837,076 | 476,502 | 107,896 | 3,000,240 |
| 2009 | 1,641,542 | 771,127 | 486,996 | 97,440 | 2,997,105 |
| 2010 | 1,724,422 | 701,513 | 497,751 | 86,685 | 3,010,371 |
| 2011 | 1,552,411 | 632,422 | 508,776 | 75,661 | 2,769,270 |
| 2012-2016 | 7,146,098 | 2,190,921 | 2,348,432 | 219,702 | 11,905,153 |
| 2017-2021 | 4,650,000 | 823,953 | 1,269,650 | 34,546 | 6,778,149 |
| 2022-2026 | 1,200,000 | 157,050 | 0 | 0 | 1,357,050 |
| Total | \$ <u>20,824,329</u> | \$ <u>6,988,547</u> | \$ <u>6,054,367</u> | \$ <u>740,105</u> | \$ <u>34,607,348</u> |

(7) Limitation of Indebtedness:

Section 21-33-303, Miss. Code 1972 (Ann.), prohibits any municipality from issuing bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidence of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited.

However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Section 21-41-1 through 21-41-53.

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All bonds issued prior to July 1, 1990, pursuant to this chapter by any municipality for the purpose of the constructing, replacing, renovating or improving wastewater collection and treatment facilities in order to comply with an administrative order of the Mississippi Department of Natural Resources issued pursuant to the Federal Water Pollution Control Act and amendments thereto, are hereby exempt from the limitation imposed by this section, if the governing body of the municipality adopts an order, resolution or ordinance to the effect that the rates paid by the users of such facilities shall be increased to the extent necessary to provide sufficient funds for the payment of the principal of and interest on such bonds as each respectively becomes due and payable as well as the necessary expenses in connection with the operation and maintenance of such facilities.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2006:

| | <u>15 Percent</u> | <u>20 Percent</u> |
|--|----------------------|----------------------|
| Authorized Debt Limit: | | |
| Assessed valuation for the fiscal year ended September 30, 2006 (\$146,745,173) | \$22,011,776 | \$29,349,035 |
| Present debt subject to debt limitation | <u>(13,265,000)</u> | <u>(20,340,000)</u> |
| Margin for further general indebtedness | <u>\$8,746,776</u> | <u>\$9,009,035</u> |

(8) Other Required Individual Fund Disclosures

- Individual fund interfund receivable and payable balances at September 30, 2006 were:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 513,366 | \$ 354,105 |
| Debt Service Fund | 9,147 | 34,074 |
| Capital Projects Fund | 31,883 | 196,922 |
| Drug Seizure Fund | 3,878 | 2,039 |
| Youth Program Fund | 100 | 0 |
| Water & Sewer Fund | 226,068 | 82,015 |
| Sanitation Fund | 71,905 | 195,550 |
| Employment Security Fund | 0 | 4,331 |
| Trust & Agency Fund | <u>12,689</u> | <u>0</u> |
| Total | <u>\$ 869,036</u> | <u>\$ 869,036</u> |

- Interfund transfers from the General Fund and the Capital Projects Fund to the Debt Service Fund totaling \$1,515,356 were to cover debt service payments.
- Reconciliation of Fund Balances on the budgetary basis to the GAAP basis:

Mississippi law requires that municipalities prepare budgets using the modified cash basis, which differs from generally accepted accounting principles (GAAP) basis. The budget and all transactions are presented in accordance with the City's method (modified cash basis) in the Budgetary Comparison

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

Schedule -General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that only expenditures relating to the 9/30/06 fiscal year which are paid within the first 30 days after year end are included in the budget and all revenues are recognized for budgetary purposes when received. Budgetary and GAAP differences are shown as reconciling items on the budget comparison schedule.

4. Budget Violations

A listing of the funds with an excess of expenditures (expenses) over appropriations and the amount of the excess is as follows:

| | | |
|-------------------------------|---------------------|-----------|
| <u>General Fund</u> | | |
| Elections | -Operating expenses | \$ 2,021 |
| General Government | -Operating expenses | 22,441 |
| Street Department | -Operating expenses | 996 |
| Library | -Operating expenses | 6,658 |
| <u>Youth Program Fund</u> | | |
| Concessions | -Personnel cost | \$ 13,045 |
| Concessions | -Operating expenses | 21,298 |
| <u>Sanitation Fund</u> | | |
| Sanitation Operations | -Personnel cost | \$ 873 |
| <u>Water & Sewer Fund</u> | | |
| Water Operations | -Personnel cost | \$ 320 |
| Water Operations | -Operating expenses | 120,966 |

Section 21-35-17, Miss. Code Ann. (1972) requires municipalities to limit expenditures to budgeted amounts.

5. Fund Balance Reserves

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. The following is a description of fund reserves used by the City:

Reserved for unemployment benefits - Represents fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

Reserved for debt service - Represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

The designation for subsequent years' expenditures represents Capital Projects Fund Balances specifically identified for capital outlays.

(9) Defined Benefit Pension Plan

The City of Brandon contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

PERS members are required to contribute 7.25% of their annual covered salary and City of Brandon is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Brandon's contributions to PERS for the years ended September 30, 2006, 2005 and 2004, were \$534,491, \$443,075 and \$385,262 respectively, equal to the required contribution for each year.

(10) Commitments and contingencies

1. The City entered into an agreement in 2003 with the West Rankin Metropolitan Sewer Authority, the implementing agency for the West Rankin Regional Wastewater System, to make annual payments representing reimbursement to the Authority for debt service on a \$6,000,000 revenue bond issued by the Authority for the purchase of the West Rankin wastewater system. The City's annual payment is based upon its proportionate share of the system's total wastewater volume.

The obligation under this agreement will be in effect until all bonds incurred for this system are paid in full. At that time the agreement will run from year to year unless written notice for dissolving same is made by either party twelve months in advance. Additional charges will be made for actual volume contributed to the system to offset operational costs incurred by the system.

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

2. Operating Leases

The City has entered into 4 Sixteenth Section land leases with the Rankin County School District as detailed below:

1. Land for City hall building - 7 years at \$7,480 per year due each February through 2010.
2. Old Brandon Memorial Cemetery - 40 years at \$1,000 per year due each January through 2034.
3. Water tower on Highway 471-7 years at \$1,700 per year due each July through 2009.
4. 365 West Government Street - 7 years at \$9,576 per year due each July through 2010.

(11) Water and Sewer System Users

The water and sewer system as of September 30, 2006 had 8,228 residential and commercial users.

(12) Contingent Liabilities

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, there are no material unfavorable dispositions anticipated against the City.

(13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

MMWCG covers risks of loss arising from injuries to the city's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the

CITY OF BRANDON
Notes to Financial Statements
September 30, 2006

trust account are used to pay any employee claim. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the City's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The City has received no assessments for excess losses incurred by the pool.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BRANDON
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2006

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--------------------------------------|-------------------------------|-------------------------|--------------------------|--|
| | Special Assessment Fund | Drug Seizure Fund | Youth Program Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 0 | \$ 187,230 | \$ 81,944 | \$ 269,174 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables | | | | |
| Ad valorem and road taxes | 0 | 0 | 0 | 0 |
| Current sales tax | 0 | 0 | 0 | 0 |
| Franchise tax | 0 | 0 | 0 | 0 |
| Other governments | 0 | 0 | 0 | 0 |
| Other receivables | 0 | 540 | 870 | 1,410 |
| Due from other funds | 0 | 3,878 | 100 | 3,978 |
| | <u>0</u> | <u>3,878</u> | <u>100</u> | <u>3,978</u> |
| Total Assets | <u>0</u> | <u>191,648</u> | <u>82,914</u> | <u>274,562</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | 0 | 213 | 2,627 | 2,840 |
| Accrued wages payable | 0 | 0 | 0 | 0 |
| Due to other funds | 0 | 2,039 | 0 | 2,039 |
| | <u>0</u> | <u>2,039</u> | <u>0</u> | <u>2,039</u> |
| Total Liabilities | <u>0</u> | <u>2,252</u> | <u>2,627</u> | <u>4,879</u> |
| Fund Balance | | | | |
| Reserved for | | | | |
| Encumbrances | 0 | 0 | 0 | 0 |
| Debt service | 0 | 0 | 0 | 0 |
| Capital outlay | 0 | 0 | 0 | 0 |
| Unreserved | 0 | 189,396 | 80,287 | 269,683 |
| | <u>0</u> | <u>189,396</u> | <u>80,287</u> | <u>269,683</u> |
| Total Fund Balance | <u>0</u> | <u>189,396</u> | <u>80,287</u> | <u>269,683</u> |
| Total Liabilities and Fund Balance | \$ <u>0</u> | \$ <u>191,648</u> | \$ <u>82,914</u> | \$ <u>274,562</u> |

See Independent Auditors' Report and notes to financial statements.

CITY OF BRANDON
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|---|-------------------------------|-------------------------|--------------------------|--|
| | Special Assessment Fund | Drug Seizure Fund | Youth Program Fund | |
| Revenues | | | | |
| Taxes | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Licenses and permits | 0 | 0 | 0 | 0 |
| State shared revenues | 0 | 0 | 0 | 0 |
| County shared revenues | 0 | 0 | 0 | 0 |
| Fines and forfeits | 0 | 8,290 | 0 | 8,290 |
| Charges for services | 0 | 0 | 262,223 | 262,223 |
| Other | 0 | 9,367 | 3,324 | 12,691 |
| Total Revenues | 0 | 17,657 | 265,547 | 283,204 |
| Expenditures | | | | |
| Current (operating) | | | | |
| General government | 0 | 0 | 0 | 0 |
| Public safety | 0 | 7,083 | 0 | 7,083 |
| Public services | 0 | 0 | 0 | 0 |
| Culture and recreation | 0 | 0 | 232,876 | 232,876 |
| Capital outlay | 0 | 34,349 | 4,517 | 38,866 |
| Debt service | | | | |
| Principal | 0 | 15,598 | 0 | 15,598 |
| Interest and fiscal charges | 0 | 707 | 0 | 707 |
| Total Expenditures | 0 | 57,737 | 237,393 | 295,130 |
| Excess of revenues over (under) expenditures | 0 | (40,080) | 28,154 | (11,926) |
| Other financing sources and uses, including transfers | | | | |
| Proceeds from sale of bonds | 0 | 0 | 0 | 0 |
| Proceeds from sale of assets | 0 | 2,970 | 0 | 2,970 |
| Transfers in | 0 | 0 | 0 | 0 |
| Transfers out | 0 | 0 | 0 | 0 |
| Total other financing sources and (uses) | 0 | 2,970 | 0 | 2,970 |
| Net change in fund balances | 0 | (37,110) | 28,154 | (8,956) |
| Fund balances, October 1, 2005 | 0 | 226,506 | 52,133 | 278,639 |
| Fund balances, September 30, 2006 | \$ 0 | \$ 189,396 | \$ 80,287 | \$ 269,683 |

See Independent Auditors' Report and notes to financial statements.

CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2006

| | Original Budget | Budget as Amended | Actual | Variance from Final Amended Budget Over (under) |
|----------------------------------|--------------------|----------------------|--------------|--|
| Revenues: | | | | |
| Taxes | \$ 2,690,702 | \$ 2,690,702 | \$ 2,673,885 | \$ (16,817) |
| Licenses and permits | 790,000 | 790,000 | 1,074,811 | 284,811 |
| State shared revenues | 5,361,558 | 5,361,558 | 4,975,974 | (385,584) |
| County shared revenues | 533,000 | 533,000 | 679,672 | 146,672 |
| Fines and forfeits | 723,000 | 723,000 | 700,163 | (22,837) |
| Charges for services | 42,000 | 42,000 | 69,051 | 27,051 |
| Other | 246,900 | 246,900 | 409,400 | 162,500 |
| Total Revenues | 10,387,160 | 10,387,160 | 10,582,956 | 195,796 |
| Expenditures: | | | | |
| City court | | | | |
| Personnel costs | 214,128 | 214,128 | 198,073 | (16,055) |
| Operating expenses | 36,350 | 36,350 | 11,655 | (24,695) |
| Capital expenditures | 4,000 | 4,000 | 520 | (3,480) |
| Total city court | 254,478 | 254,478 | 210,248 | (44,230) |
| Elections | | | | |
| Personnel costs | 0 | 0 | 0 | 0 |
| Operating expenses | 0 | 0 | 2,021 | 2,021 |
| Total election | 0 | 0 | 2,021 | 2,021 |
| Executive / Administrative | | | | |
| Personnel cost | 225,010 | 225,010 | 207,403 | (17,607) |
| Operating expenses | 126,950 | 134,450 | 113,924 | (20,526) |
| Capital expenditures | 17,677 | 17,677 | 4,672 | (13,005) |
| Total executive / administrative | 369,637 | 377,137 | 325,999 | (51,138) |

See Independent Auditors' Report and notes to financial statements.

CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2006

| | Original Budget | Budget as Amended | Actual | Variance from Final Amended Budget Over (under) |
|--------------------------|--------------------|----------------------|-----------|--|
| General Government | | | | |
| Personnel cost | 518,588 | 518,588 | 513,443 | (5,145) |
| Operating expenses | 300,706 | 355,258 | 377,699 | 22,441 |
| Capital expenditures | 9,500 | 9,500 | 19,184 | 9,684 |
| Total general government | 828,794 | 883,346 | 910,326 | 26,980 |
| Street Department | | | | |
| Personnel cost | 420,589 | 420,589 | 352,154 | (68,435) |
| Operating expenses | 659,200 | 659,200 | 660,166 | 966 |
| Capital expenditures | 189,177 | 311,913 | 223,250 | (88,663) |
| Total street department | 1,268,966 | 1,391,702 | 1,235,570 | (156,132) |
| Police Department | | | | |
| Personnel cost | 2,084,545 | 2,118,303 | 2,093,044 | (25,259) |
| Operating expenses | 682,004 | 682,004 | 551,847 | (130,157) |
| Capital expenditures | 319,924 | 319,924 | 110,031 | (209,893) |
| Total police department | 3,086,473 | 3,120,231 | 2,754,922 | (365,309) |
| Fire Department | | | | |
| Personnel cost | 2,054,226 | 2,054,226 | 1,896,729 | (157,497) |
| Operating expenses | 387,172 | 387,172 | 275,802 | (111,370) |
| Capital expenditures | 196,349 | 196,349 | 171,339 | (25,010) |
| Total fire department | 2,637,747 | 2,637,747 | 2,343,870 | (293,877) |
| Public Works | | | | |
| Personnel cost | 104,316 | 104,316 | 85,974 | (18,342) |
| Operating expenses | 27,400 | 27,400 | 17,037 | (10,363) |
| Capital expenditures | 14,177 | 14,177 | 1,921 | (12,256) |
| Total public works | 145,893 | 145,893 | 104,932 | (40,961) |

See Independent Auditors' Report and notes to financial statements.

CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2006

| | Original Budget | Budget as Amended | Actual | Variance from Final Amended Budget Over (under) |
|---------------------------------|--------------------|----------------------|---------|--|
| Community development | | | | |
| Personnel cost | 175,057 | 175,057 | 174,432 | (625) |
| Operating expenses | 61,850 | 61,850 | 55,396 | (6,454) |
| Capital expenditures | 25,031 | 25,031 | 2,146 | (22,885) |
| Total community development | 261,938 | 261,938 | 231,974 | (29,964) |
| Cemetery Maintenance | | | | |
| Operating expenses | 8,600 | 10,600 | 2,141 | (8,459) |
| Total cemetery maintenance | 8,600 | 10,600 | 2,141 | (8,459) |
| Parks Department | | | | |
| Personnel cost | 457,149 | 457,149 | 453,401 | (3,748) |
| Operating expenses | 381,615 | 381,615 | 366,563 | (15,052) |
| Capital expenditures | 116,012 | 197,607 | 122,488 | (75,119) |
| Total parks department | 954,776 | 1,036,371 | 942,452 | (93,919) |
| Animal Control Department | | | | |
| Personnel cost | 66,287 | 66,287 | 59,512 | (6,775) |
| Operating expenses | 24,033 | 24,033 | 13,809 | (10,224) |
| Capital expenditures | 9,450 | 9,450 | 273 | (9,177) |
| Total animal control department | 99,770 | 99,770 | 73,594 | (26,176) |
| Library | | | | |
| Personnel cost | 0 | 0 | 0 | 0 |
| Operating expenses | 118,500 | 118,500 | 125,158 | 6,658 |
| Capital expenditures | 12,000 | 12,000 | 6,871 | (5,129) |
| Total library | 130,500 | 130,500 | 132,029 | 1,529 |

See Independent Auditors' Report and notes to financial statements.

CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2006

| | Original Budget | Budget as Amended | Actual | Variance from Final Amended Budget Over (under) |
|---|--------------------|----------------------|--------------|--|
| Senior Citizen Department | | | | |
| Personnel cost | 75,712 | 75,712 | 70,158 | (5,554) |
| Operating expenses | 96,300 | 96,300 | 82,381 | (13,919) |
| Capital expenditures | 7,500 | 7,500 | 530 | (6,970) |
| Total senior citizen department | 179,512 | 179,512 | 153,069 | (26,443) |
| Debt service | 86,969 | 86,969 | 249,530 | 162,561 |
| Total Expenditures | 10,314,053 | 10,616,194 | 9,672,677 | (943,517) |
| Excess of revenues over (under) expenditures | 73,107 | (229,034) | 910,279 | 1,139,313 |
| Other financing sources (uses): | | | | |
| Non-revenue receipts | 10,000 | 10,000 | 63,387 | 53,387 |
| Operating transfers out | (1,328,236) | (1,328,236) | (1,243,695) | 84,541 |
| Total other financing sources (uses) | (1,318,236) | (1,318,236) | (1,180,308) | 137,928 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis | \$ (1,245,129) | \$ (1,547,270) | (270,029) | \$ 1,277,241 |
| Fund balance, October 1, 2005 | | | 2,887,797 | |
| Adjustments to GAAP Basis: | | | | |
| Increase in accrued revenues | | | 89,689 | |
| Fund balance, September 30, 2006 | | | \$ 2,707,457 | |

See Independent Auditors' Report and notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF BRANDON
Schedule of Surety Bonds for Municipal Officials
September 30, 2006

| <u>Name/Position</u> | <u>Bond</u> |
|--|--------------------|
| Western Surety | |
| Mayor and Aldermen | \$100,000 |
| Comptroller - Scott McNeill | \$50,000 |
| Police Chief - Ken McBroom | \$50,000 |
| Administration Assistant - Micheelle Huhn | \$10,000 |
| Public Employees - Blanket Coverage | \$50,000 |
| Parks and Recreations Concessions - Blanket Coverage | \$10,000 |
| Public Works Director - Cathy Goolsby | \$10,000 |
| Parks Director - Michael Taggart | \$10,000 |
| Recreations Program Coordinator - Julie Hopson | \$10,000 |
| Senior Program Coordinator - Angela Jones | \$10,000 |
| Seniors Assistant - Deborah Henry | \$10,000 |
| Community Development Secretary - Lauren Banaka | \$10,000 |
| Deputy City Clerk - Carolyn Palmer | \$10,000 |
| Accountant - Elizabeth Elwell | \$10,000 |
| Administrative Assistant - Dawn Hynum | \$10,000 |
| Deputy City Clerk - Cathy Curcio | \$10,000 |
| Utility Billing Clerk - Amanda Lambert | \$10,000 |
| Deputy City Clerk - Cheryl Erwin | \$10,000 |
| Deputy Court Clerk - Gayle Quick | \$10,000 |
| Deputy Court Clerk - Samantha McAdams | \$10,000 |
| City Clerk - Angela Bean | \$50,000 |
| Deputy City Clerk - Tonya Blackwell | \$10,000 |
| Deputy City Clerk - Marilyn Horton | \$10,000 |
| Deputy Court Clerk - Torie Adair | \$10,000 |
| Municipal Court Clerk - Karen Burkes | \$10,000 |
| Public Works Secretary - Lynda Atkins | \$10,000 |
| Utility Cashier Clerk - Lindsay Scanlon | \$10,000 |
| Secretary - Tabitha Nicholas | \$10,000 |
| Deputy Clerk - Laura Mayo | \$10,000 |
| Payroll Clerk - Lynne Wilson | \$10,000 |
| Public Works Secretary - Ermadine Jones | \$10,000 |
| Receptionist - Carly Dearman | \$10,000 |
| Administration Assistant - Casey Frazier | \$10,000 |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| <u>Revenues</u> | | |
| Taxes | | |
| Ad valorem taxes | \$2,713,090 | \$2,556,692 |
| Tax commission expense | (53,710) | (50,923) |
| Delinquent taxes, interest and penalties | 6,657 | 6,195 |
| Transfer-Crossgates FPD | 749 | 383 |
| Interest on property tax | 9,032 | 9,742 |
| Prior year Legislative credit | 9,847 | 7,934 |
| | <u>2,685,665</u> | <u>2,530,023</u> |
| Total Taxes | | |
| | <u>2,685,665</u> | <u>2,530,023</u> |
| Licenses and Permits | | |
| Franchise charges | 814,899 | 573,890 |
| Privilege licenses | 27,331 | 25,597 |
| Building permits | 242,589 | 212,300 |
| Other licenses | 12,850 | 9,500 |
| | <u>1,097,669</u> | <u>821,287</u> |
| Total Licenses and Permits | | |
| | <u>1,097,669</u> | <u>821,287</u> |
| State Shared Revenues | | |
| Sales tax | 4,514,560 | 3,619,250 |
| Payment in lieu of taxes - Grand Gulf | 160,494 | 162,384 |
| Fire protection | 83,584 | 77,426 |
| Gasoline tax | 13,940 | 13,940 |
| Municipal aid | 8,567 | 8,567 |
| Domestic preparedness grants | 47,834 | 13,571 |
| Hazard mitigation grant | 2,561 | 7,361 |
| Downtown beautification grant | 23,603 | 186,651 |
| Department of Public Safety funds | 156,294 | 22,625 |
| Tree grant | 0 | 3,461 |
| Other | 16,474 | 14,502 |
| | <u>5,027,911</u> | <u>4,129,738</u> |
| Total State Shared Revenue | | |
| | <u>5,027,911</u> | <u>4,129,738</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|------------------------------|-------------------|------------------|
| County Shared Revenues | | |
| Pro-rata county road tax | 543,948 | 507,100 |
| Auto rental tax | 90,573 | 61,307 |
| Special fire services | 15,118 | 14,246 |
| County road reimbursement | <u>30,033</u> | <u>0</u> |
| Total County Shared Revenues | <u>679,672</u> | <u>582,653</u> |
| Court Fines and Forfeits | <u>700,163</u> | <u>587,717</u> |
| Service Charges | | |
| Development ordinance fees | 7,750 | 20,125 |
| Special fire service | 0 | 1,000 |
| Zoning variance fees | 3,300 | 4,600 |
| Cemetery fees and lots | 45,001 | 26,700 |
| Park sales and fees | 11,816 | 2,150 |
| Animal control fees | <u>1,184</u> | <u>3,809</u> |
| Total Service Charges | <u>69,051</u> | <u>58,384</u> |
| Miscellaneous | | |
| Disaster Funds - FEMA | 69,628 | 48,687 |
| Interest earnings | 106,246 | 51,545 |
| Miscellaneous | 110,217 | 116,952 |
| Brandon Day receipts | 80,952 | 75,021 |
| Donations | <u>45,471</u> | <u>4,223</u> |
| Total Miscellaneous | <u>412,514</u> | <u>296,428</u> |
| Total Revenues | <u>10,672,645</u> | <u>9,006,230</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|----------------|
| <u>Expenditures</u> | | |
| General Government and Administration | | |
| City Court | | |
| Salaries | | |
| Salaries | 136,798 | 148,300 |
| Employer costs | <u>61,275</u> | <u>56,456</u> |
| Total Salaries | <u>198,073</u> | <u>204,756</u> |
| Supplies, Services and Other Charges | | |
| Office supplies | 8,681 | 3,301 |
| Professional fees | <u>2,974</u> | <u>994</u> |
| Total Supplies, Services and Other Charges | <u>11,655</u> | <u>4,295</u> |
| Capital Outlay | | |
| Machinery and equipment | <u>520</u> | <u>209</u> |
| Total Capital Outlay | <u>520</u> | <u>209</u> |
| Total City Court | <u>210,248</u> | <u>209,260</u> |
| Election | | |
| Contract Labor | 1,225 | 10,852 |
| Operating supplies | 553 | 4,312 |
| Printing and binding | 243 | 8,670 |
| Professional fees | 0 | 1,013 |
| Data processing | <u>0</u> | <u>3,355</u> |
| Total Election Costs | <u>2,021</u> | <u>28,202</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|----------------|
| Executive / Administration | | |
| Salaries | | |
| Salaries | 138,599 | 154,742 |
| Employer costs | <u>68,804</u> | <u>63,448</u> |
| Total Salaries | <u>207,403</u> | <u>218,190</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 6,397 | 4,928 |
| Cleaning and janitorial | 48 | 219 |
| Contract labor | 0 | 5,048 |
| Conventions | 6,247 | 4,131 |
| Donations | 24,827 | 26,591 |
| Dues and subscriptions | 24,776 | 3,473 |
| Exhibitions and promotions | 24,928 | 15,432 |
| Insurance | 9,627 | 10,506 |
| Miscellaneous | 164 | 0 |
| Operating supplies | 932 | 0 |
| Printing and binding | 2,982 | 15,674 |
| Professional fees | 1,287 | 7,000 |
| Rentals | 18 | 265 |
| Repairs - Equipment | 0 | 930 |
| Repairs - Other | 1,022 | 0 |
| Repairs - Vehicles | 4,371 | 59 |
| Telephone and communication | 3,855 | 9,671 |
| Training | 423 | 0 |
| Transportation | 2,020 | 2,020 |
| Uniforms | <u>0</u> | <u>25</u> |
| Total Supplies, Services and Other Charges | <u>113,924</u> | <u>105,972</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|----------------|----------------|
| Capital Outlay | | |
| Furniture and fixtures | 200 | 1,839 |
| Machinery and equipment | <u>4,472</u> | <u>7,003</u> |
| Total Capital Outlay | <u>4,672</u> | <u>8,842</u> |
| Debt Service | | |
| Debt service principal | 928 | 0 |
| Debt service interest | <u>118</u> | <u>0</u> |
| Total Debt Service | <u>1,046</u> | <u>0</u> |
| Total Executive / Administrative Department | <u>327,045</u> | <u>333,004</u> |
| General Government Department | | |
| Salaries | | |
| Salaries | 378,300 | 336,831 |
| Employer costs | <u>135,143</u> | <u>105,475</u> |
| Total Salaries | <u>513,443</u> | <u>442,306</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 2,853 | 3,681 |
| Cleaning and janitorial | 2,563 | 284 |
| Contract labor | 5,998 | 1,662 |
| Conventions | 1,986 | 325 |
| Donations | 500 | 500 |
| Dues and subscriptions | 1,126 | 733 |
| Insurance | 20,772 | 20,441 |
| Land leases | 11,680 | 20,856 |
| Miscellaneous | 311 | 32,459 |
| Office supplies | 5,846 | 13,169 |
| Operating supplies | 14,034 | 6,588 |
| Postage | 5,789 | 14,334 |
| Printing and binding | 7,388 | 5,314 |
| Professional fees | 130,252 | 98,880 |
| Rentals | 73,872 | 60,629 |
| Repairs - Equipment | 2,813 | 4,581 |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Repairs - Other | 872 | 6,684 |
| Repairs - Vehicles | 1,403 | 714 |
| Telephone and communication | 14,605 | 13,893 |
| Disaster expenses | 49,456 | 13,062 |
| Training | 6,561 | 1,606 |
| Transportation | 2,995 | 1,525 |
| Utilities | <u>14,024</u> | <u>22,223</u> |
| Total Supplies, Services and Other Charges | <u>377,699</u> | <u>344,143</u> |
| Capital Outlay | | |
| Furniture and fixtures | 1,057 | 3,192 |
| Improvements other than buildings | 29 | 35,260 |
| Machinery and equipment | <u>18,098</u> | <u>4,531</u> |
| Total Capital Outlay | <u>19,184</u> | <u>42,983</u> |
| Total General Government Department | <u>910,326</u> | <u>829,432</u> |
| Total General Government and Administration | <u>1,449,640</u> | <u>1,399,898</u> |
| Public Works | | |
| Street Department | | |
| Salaries | | |
| Wages | 241,829 | 202,221 |
| Employer costs | <u>110,325</u> | <u>82,013</u> |
| Total Salaries | <u>352,154</u> | <u>284,234</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 429 | 488 |
| Chemicals | 20,200 | 18,944 |
| Contract labor | 93,678 | 83,751 |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------------|----------------------|
| Insurance | 22,656 | 20,488 |
| Miscellaneous | 60 | 0 |
| Operating supplies | 70,533 | 97,373 |
| Professional fees | 26,599 | 15,494 |
| Rentals | 658 | 2,684 |
| Repairs - equipment | 19,139 | 15,423 |
| Repairs - vehicles | 10,531 | 3,830 |
| Repairs - other | 20,604 | 2,369 |
| Telephone and communications | 2,406 | 2,369 |
| Transportation | 22,368 | 22,554 |
| Uniforms | 4,205 | 4,043 |
| Utilities - street lights | <u>346,100</u> | <u>344,032</u> |
| Total Supplies, Services and Other Charges | <u>660,166</u> | <u>633,842</u> |
| Capital Outlay | | |
| Improvements other than buildings | 218,548 | 107,711 |
| Machinery and equipment | 3,461 | 2,297 |
| Vehicles | <u>1,241</u> | <u>0</u> |
| Total Capital Outlay | <u>223,250</u> | <u>110,008</u> |
| Debt Service | | |
| Debt service principal | 6,459 | 0 |
| Debt service interest | <u>233</u> | <u>0</u> |
| Total Debt Service | <u>6,692</u> | <u>0</u> |
| Total Street Department | <u>1,242,262</u> | <u>1,028,084</u> |
| Administration | | |
| Salaries | | |
| Salaries | 56,960 | 114,757 |
| Employer costs | <u>29,014</u> | <u>40,079</u> |
| Total Salaries | <u>85,974</u> | <u>154,836</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| Supplies, Services and Other Charges | | |
| Advertising | 500 | 545 |
| Contract labor | 1,000 | 340 |
| Insurance | 4,529 | 5,278 |
| Miscellaneous | 70 | 102 |
| Office supplies | 428 | 88 |
| Operating supplies | 923 | 276 |
| Printing and binding | 0 | 730 |
| Professional services | 529 | 102 |
| Repairs - equipment | 42 | 0 |
| Repairs - vehicles | 126 | 1,318 |
| Repairs - other | 11 | 0 |
| Telephone and communication | 5,866 | 6,361 |
| Training | 199 | 955 |
| Transportation | 649 | 2,798 |
| Uniforms | 638 | 251 |
| Other costs | <u>1,527</u> | <u>2,200</u> |
| Total Supplies, Services and Other Charges | <u>17,037</u> | <u>21,344</u> |
| Capital Outlay | | |
| Furniture and fixtures | 0 | 388 |
| Machinery and equipment | <u>1,921</u> | <u>1,682</u> |
| Total Capital Outlay | <u>1,921</u> | <u>2,070</u> |
| Debt Service | | |
| Debt service principal | 5,460 | 11,767 |
| Debt service interest | <u>202</u> | <u>587</u> |
| Total Debt Service | <u>5,662</u> | <u>12,354</u> |
| Total Administration | <u>110,594</u> | <u>190,604</u> |
| Total Public Works | <u>1,352,856</u> | <u>1,218,688</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| Public Safety | | |
| Police Department | | |
| Salaries | | |
| Salaries | 1,527,009 | 1,375,062 |
| Employer Costs | <u>566,035</u> | <u>434,560</u> |
| Total Salaries | <u>2,093,044</u> | <u>1,809,622</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 1,035 | 1,705 |
| Cleaning and janitorial | 4,310 | 2,868 |
| Contract labor | 3,537 | 3,195 |
| Conventions | 3,053 | 944 |
| D.A.R.E. Expenses | 8,258 | 6,841 |
| Data processing | 0 | 183 |
| Dues and subscriptions | 1,375 | 2,208 |
| Insurance | 70,979 | 64,216 |
| Miscellaneous | 9,337 | 11,052 |
| Office supplies | 1,970 | 10,819 |
| Operating supplies | 14,989 | 65,147 |
| Printing and binding | 3,392 | 3,281 |
| Prisoners expense | 71,105 | 111,651 |
| Professional fees | 16,495 | 9,453 |
| Repairs - equipment | 40,218 | 40,912 |
| Repairs - other | 3,624 | 2,675 |
| Repairs - vehicles | 36,887 | 31,838 |
| SRT Expenses | 559 | 18,596 |
| Telephone and communications | 59,766 | 50,204 |
| Training | 25,585 | 19,714 |
| Transportation | 99,851 | 80,506 |
| Uniforms | 32,701 | 36,114 |
| Utilities | <u>42,821</u> | <u>16,316</u> |
| Total Supplies, Services and Other Charges | <u>551,847</u> | <u>590,438</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--------------------------------------|------------------|------------------|
| Capital Outlay | | |
| Furniture and fixtures | 0 | 1,019 |
| Machinery and equipment | 95,382 | 92,312 |
| Vehicles | <u>14,649</u> | <u>26,352</u> |
| Total Capital Outlay | <u>110,031</u> | <u>119,683</u> |
| Debt Service | | |
| Debt service principal | 105,436 | 90,896 |
| Debt service interest | <u>5,103</u> | <u>6,258</u> |
| Total Debt Service | <u>110,539</u> | <u>97,154</u> |
| Total Police Department | <u>2,865,461</u> | <u>2,616,897</u> |
| Fire Department | | |
| Salaries | | |
| Salaries | 1,354,080 | 1,166,795 |
| Employer costs | <u>542,649</u> | <u>403,210</u> |
| Total Salaries | <u>1,896,729</u> | <u>1,570,005</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 1,198 | 1,041 |
| Cleaning | 1,986 | 3,429 |
| Communications | 22,392 | 20,019 |
| Contract labor | 400 | 480 |
| Conventions | 2,157 | 1,607 |
| Data processing | 1,997 | 0 |
| Dues and subscriptions | 2,451 | 3,061 |
| Exhibitions and promotions | 6,537 | 6,120 |
| Insurance | 62,001 | 59,497 |
| Miscellaneous | 4,399 | 1,944 |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------------|----------------------|
| Office supplies | 1,692 | 2,189 |
| Operating supplies | 8,149 | 6,584 |
| Printing and binding | 1,249 | 312 |
| Professional fees | 9,945 | 1,952 |
| Rentals | 7,403 | 5,061 |
| Repairs - vehicles | 28,938 | 30,621 |
| Repairs - equipment | 13,059 | 7,336 |
| Repairs - other | 8,177 | 4,408 |
| Training | 36,728 | 20,321 |
| Transportation | 20,980 | 14,689 |
| Uniforms | 11,241 | 14,067 |
| Utilities | <u>22,723</u> | <u>17,846</u> |
| Total Supplies, Services and Other Charges | <u>275,802</u> | <u>222,584</u> |
| Capital Outlay | | |
| Buildings and land | 0 | 71,120 |
| Machinery and equipment | 166,740 | 121,576 |
| Furniture and fixtures | <u>4,599</u> | <u>2,146</u> |
| Total Capital Outlay | <u>171,339</u> | <u>194,842</u> |
| Debt Service | | |
| Debt service principal | 72,924 | 68,496 |
| Debt service interest | <u>19,519</u> | <u>22,117</u> |
| Total Debt Service | <u>92,443</u> | <u>90,613</u> |
| Total Fire Department | <u>2,436,313</u> | <u>2,078,044</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| Animal Control | | |
| Salaries | | |
| Salaries | 41,337 | 44,279 |
| Employer costs | <u>18,175</u> | <u>15,748</u> |
| Total Salaries | <u>59,512</u> | <u>60,027</u> |
| Supplies, Services and Other Costs | | |
| Insurance | 2,982 | 2,495 |
| Miscellaneous Expense | 320 | 201 |
| Operating supplies | 289 | 403 |
| Printing & binding | 111 | 91 |
| Professional fees | 2,069 | 1,805 |
| Repairs - vehicles | 1,678 | 5,863 |
| Telephone and communications | 1,053 | 913 |
| Transportation | 4,993 | 4,338 |
| Uniforms | <u>314</u> | <u>999</u> |
| Total Supplies, Services and Other Charges | <u>13,809</u> | <u>17,108</u> |
| Capital Outlay | | |
| Machinery and equipment | <u>273</u> | <u>130</u> |
| Total Capital Outlay | <u>273</u> | <u>130</u> |
| Debt Service | | |
| Debt service principal | 2,009 | 0 |
| Debt service interest | <u>254</u> | <u>0</u> |
| Total Debt Service | <u>2,263</u> | <u>0</u> |
| Total Animal Control | <u>75,857</u> | <u>77,265</u> |
| Total Public Safety | <u>5,377,631</u> | <u>4,772,206</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|----------------|
| Culture and Recreation | | |
| Cemetery Department | | |
| Supplies, Services and Other Charges | | |
| Professional Fees | 1,436 | 2,461 |
| Utilities | 705 | 753 |
| | <u>2,141</u> | <u>3,214</u> |
| Total Supplies, Services and Other Charges | | |
| | <u>2,141</u> | <u>3,214</u> |
| Total Cemetery Department | | |
| | <u>2,141</u> | <u>3,214</u> |
| Community Development Department | | |
| Salaries | | |
| Salaries | 125,615 | 119,000 |
| Employer costs | 48,817 | 41,299 |
| | <u>174,432</u> | <u>160,299</u> |
| Total Salaries | | |
| | <u>174,432</u> | <u>160,299</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 1,312 | 1,378 |
| Dues and subscriptions | 35 | 210 |
| Insurance | 4,731 | 4,635 |
| Miscellaneous expenses | 343 | 0 |
| Office supplies | 172 | 0 |
| Operating supplies | 1,128 | 2,920 |
| Printing and binding | 1,243 | 850 |
| Professional fees | 36,173 | 14,828 |
| Repairs - vehicles | 24 | 1,606 |
| Communications | 3,376 | 3,796 |
| Training | 600 | 335 |
| Transportation | 5,666 | 3,826 |
| Uniforms | 593 | 38 |
| | <u>55,396</u> | <u>34,422</u> |
| Total Supplies, Services and Other Charges | | |
| | <u>55,396</u> | <u>34,422</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|----------------|
| Capital Outlay | | |
| Machinery and equipment | <u>2,146</u> | <u>0</u> |
| Total Capital Outlay | <u>2,146</u> | <u>0</u> |
| Debt Service | | |
| Debt service principal | 17,879 | 23,128 |
| Debt service interest | <u>652</u> | <u>1,580</u> |
| Total Debt Service | <u>18,531</u> | <u>24,708</u> |
| Total Community Development Department | <u>250,505</u> | <u>219,429</u> |
| Parks Department | | |
| Salaries | | |
| Salaries | 56,484 | 52,638 |
| Wages | 271,141 | 213,287 |
| Employer costs | <u>125,776</u> | <u>87,915</u> |
| Total Salaries | <u>453,401</u> | <u>353,840</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 2,344 | 1,037 |
| Beautification | 17,868 | 23,669 |
| Brandon Day expenses | 97,415 | 132,335 |
| Chemicals | 28,585 | 22,077 |
| Cleaning and janitorial | 5,829 | 4,454 |
| Contract labor | 801 | 21,730 |
| Dues and subscriptions | 200 | 0 |
| Insurance | 26,602 | 30,151 |
| Miscellaneous expenses | 2,836 | 1,330 |
| Kids camp | 4,228 | 0 |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|------------------|
| Office supplies | 525 | 980 |
| Operational supplies | 29,506 | 13,760 |
| Printing and binding | 1,925 | 838 |
| Professional fees | 10,425 | 10,328 |
| Rental | 4,356 | 162 |
| Repairs - equipment | 15,556 | 10,945 |
| Repairs - other | 41,574 | 26,288 |
| Repairs - vehicles | 1,505 | 1,565 |
| Telephone and communications | 9,441 | 11,304 |
| Training | 3,092 | 2,639 |
| Transportation | 15,282 | 12,015 |
| Uniforms | 3,477 | 2,980 |
| Utilities | <u>43,191</u> | <u>47,110</u> |
| Total Supplies, Services and Other Charges | <u>366,563</u> | <u>377,697</u> |
| Capital Outlay | | |
| Buildings and land | 1,629 | 10,046 |
| Improvements other than buildings | 112,919 | 250,801 |
| Furniture and fixtures | 1,926 | 0 |
| Machinery and equipment | <u>6,014</u> | <u>48,060</u> |
| Total Capital Outlay | <u>122,488</u> | <u>308,907</u> |
| Debt Service | | |
| Debt service principal | 11,919 | 5,680 |
| Debt service interest | <u>435</u> | <u>497</u> |
| Total Debt Service | <u>12,354</u> | <u>6,177</u> |
| Total Parks Department | <u>954,806</u> | <u>1,046,621</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|----------------|----------------|
| Senior Citizens Department | | |
| Salaries | | |
| Wages | 56,673 | 45,431 |
| Employer costs | <u>13,485</u> | <u>11,219</u> |
| Total Salaries | <u>70,158</u> | <u>56,650</u> |
| Supplies, Services and Other Charges | | |
| Advertising | 3,719 | 3,153 |
| Cleaning and janitorial | 48 | 20 |
| Contract labor | 6,685 | 1,090 |
| Dues and subscriptions | 470 | 120 |
| Insurance | 3,474 | 2,967 |
| Miscellaneous expenses | 2,494 | 1,583 |
| Office supplies | 1,613 | 1,761 |
| Operational supplies | 39,917 | 18,060 |
| Printing and binding | 3,436 | 1,061 |
| Rental | 14,926 | 6,692 |
| Repairs - equipment | 0 | 776 |
| Telephone and communications | 807 | 421 |
| Training | 4,792 | 2,162 |
| Transportation | <u>0</u> | <u>204</u> |
| Total Supplies, Services and Other Charges | <u>82,381</u> | <u>40,070</u> |
| Capital Outlay | | |
| Furniture and fixtures | 441 | 2,969 |
| Machinery and equipment | <u>89</u> | <u>1,595</u> |
| Total Capital Outlay | <u>530</u> | <u>4,564</u> |
| Total Senior Citizens Department | <u>153,069</u> | <u>101,284</u> |

CITY OF BRANDON
General Fund
Comparison Schedules of Revenues and Expenditures
and Changes in Fund Balance
For The Years Ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|---------------------------|---------------------------|
| Library | | |
| Supplies, Services and Other Charges | | |
| Cleaning and janitorial | 4,798 | 3,285 |
| Insurance | 5,213 | 5,338 |
| Operating supplies | 1,085 | 382 |
| Miscellaneous Expenses | 110 | 120 |
| Professional fees | 38,651 | 35,458 |
| Repairs - equipment | 6,691 | 9,823 |
| Telephone and communications | 4,306 | 3,056 |
| Utilities | 64,304 | 59,188 |
| | <u>125,158</u> | <u>116,650</u> |
| Total Supplies, Services and Other Charges | | |
| | <u>125,158</u> | <u>116,650</u> |
| Capital Outlay | | |
| Machinery and equipment | 6,871 | 4,232 |
| | <u>6,871</u> | <u>4,232</u> |
| Total Capital Outlay | | |
| | <u>6,871</u> | <u>4,232</u> |
| Total Library Department | <u>132,029</u> | <u>120,882</u> |
| Total Culture and Recreation | <u>1,492,550</u> | <u>1,491,430</u> |
| Total Expenditures | <u>9,672,677</u> | <u>8,882,222</u> |
| Excess of Revenues over Expenditures | <u>999,968</u> | <u>124,008</u> |
| Other Financing Sources (Uses) | | |
| Operating transfers out | (1,243,695) | (790,765) |
| Sales of general fixed assets | 63,387 | 35,363 |
| | <u>(1,180,308)</u> | <u>(755,402)</u> |
| Total Other Financing Sources (Uses) | | |
| | <u>(1,180,308)</u> | <u>(755,402)</u> |
| Excess of Revenues and Other Financing Sources | | |
| Over (Under) Expenditures and Other Financing Uses | <u>(180,340)</u> | <u>(631,394)</u> |
| Fund Balance at beginning of year | <u>2,887,797</u> | <u>3,519,191</u> |
| Fund Balance at end of year | <u><u>\$2,707,457</u></u> | <u><u>\$2,887,797</u></u> |

CITY OF BRANDON
Drug Seizure Fund
Comparison Schedules of Revenues, Expenditures and Changes in Fund Balance
For the years ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|-------------------------|-------------------------|
| Revenues | | |
| Forfeitures - cash | \$8,290 | \$60,059 |
| County shared revenues | 0 | 25,000 |
| Interest income | <u>9,367</u> | <u>4,159</u> |
| Total Revenues | <u>17,657</u> | <u>89,218</u> |
| Expenditures | | |
| Buy money | 1,000 | 1,000 |
| Professional fees | 0 | 0 |
| Operating supplies | 3,905 | 2,813 |
| Miscellaneous | <u>2,178</u> | <u>36,418</u> |
| Total Expenditures | <u>7,083</u> | <u>40,231</u> |
| Capital Outlay | | |
| Machinery and equipment | <u>34,349</u> | <u>5,012</u> |
| Total Capital Outlay | <u>34,349</u> | <u>5,012</u> |
| Debt Service | | |
| Debt service principal | 15,598 | 13,582 |
| Debt service interest | <u>707</u> | <u>1,365</u> |
| Total Debt Service | <u>16,305</u> | <u>14,947</u> |
| Total Expenditures, Capital Outlay and Debt Service | <u>57,737</u> | <u>60,190</u> |
| Excess of revenues over (under) expenditures | (40,080) | 29,028 |
| Other Financing Uses | | |
| Proceeds from sale of assets | <u>2,970</u> | <u>5,175</u> |
| Excess of revenues over (under) expenditures and other financing uses | (37,110) | 34,203 |
| Fund Balance at beginning of year | <u>226,506</u> | <u>192,303</u> |
| Fund Balance at end of year | <u><u>\$189,396</u></u> | <u><u>\$226,506</u></u> |

CITY OF BRANDON
Water and Sewer Fund
Comparison Schedules of Revenues, Expenses and Changes in Fund Net Assets
For the years ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|------------------|------------------|
| Operating Revenues | | |
| Water sales | \$1,241,219 | \$1,087,008 |
| Flat rate | 598,203 | 573,551 |
| Sewer charges | 805,573 | 712,278 |
| Service connect charges | 343,924 | 256,115 |
| Sewer charges - West Rankin | 1,179,388 | 1,124,504 |
| | <u>4,168,307</u> | <u>3,753,456</u> |
| Total Operating Revenues | | |
| Operating Expenses | | |
| Salaries | | |
| Salaries | 186,607 | 100,355 |
| Wages | 369,225 | 362,033 |
| Employer costs | 179,830 | 148,924 |
| | <u>735,662</u> | <u>611,312</u> |
| Total Salaries | | |
| Supplies, Service and Other Charges | | |
| Advertising | 724 | 684 |
| Chemicals | 26,702 | 25,020 |
| Contract labor | 172,878 | 156,839 |
| Dues & subscriptions | 175 | 75 |
| Insurance | 44,933 | 52,161 |
| Land leases | 2,000 | 2,000 |
| Miscellaneous | 36,925 | 26,613 |
| Office supplies | 2,171 | 2,730 |
| Operating supplies | 48,527 | 62,649 |
| Printing & binding | 4,567 | 6,680 |
| Professional services | 53,975 | 75,263 |
| Rentals | 22,689 | 0 |
| Repairs - equipment | 184,921 | 66,338 |
| Repairs - other | 27,063 | 15,145 |
| Repairs - vehicles | 14,477 | 5,720 |
| Sub-interceptor usage expense | 940,393 | 771,511 |
| Telephone and communications | 26,203 | 26,622 |

CITY OF BRANDON
Water and Sewer Fund
Comparison Schedules of Revenues, Expenses and Changes in Fund Net Assets
For the years ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|----------------------------|----------------------------|
| Transportation | 47,102 | 33,332 |
| Uniforms | 5,292 | 4,935 |
| Utilities | <u>347,431</u> | <u>242,990</u> |
| Total Supplies, Services and Other Charges | <u>2,009,148</u> | <u>1,577,307</u> |
| Total Operating Expenses | <u>2,744,810</u> | <u>2,188,619</u> |
| Operating Income Before Depreciation and Amortization | 1,423,497 | 1,564,837 |
| Depreciation expense | 792,926 | 704,175 |
| Amortization expense | <u>1,125</u> | <u>1,125</u> |
| Operating Income | <u>629,446</u> | <u>859,537</u> |
| Non-operating Revenues (Expenses) | | |
| Interest earnings | 272,842 | 116,694 |
| Miscellaneous revenue | 159,586 | 4,898 |
| Gain on sale of equipment | 9,180 | 315 |
| Interest charges - loans | <u>(132,433)</u> | <u>(220,954)</u> |
| Total Non-operating Revenues (Expenses) | <u>309,175</u> | <u>(99,047)</u> |
| Net Income Before Operating Transfers | 938,621 | 760,490 |
| Operating transfers out | <u>0</u> | <u>0</u> |
| Change in Net Assets | 938,621 | 760,490 |
| Retained Earnings at beginning of year | <u>8,990,760</u> | <u>8,230,270</u> |
| Retained Earnings at end of year | <u>9,929,381</u> | <u>8,990,760</u> |
| Contributed Capital, beginning of year | 2,364,183 | 2,364,183 |
| Capital contribution | <u>0</u> | <u>0</u> |
| Contributed Capital, end of year | <u>2,364,183</u> | <u>2,364,183</u> |
| Total Fund Net Assets, end of year | <u><u>\$12,293,564</u></u> | <u><u>\$11,354,943</u></u> |

CITY OF BRANDON
Sanitation Fund
Comparison Schedules of Revenues, Expenses and Changes in Fund Net Assets
For the years ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|-----------------|-----------------|
| Operating Revenue | | |
| Sanitation fees | \$750,450 | \$694,247 |
| Total Operating Revenue | <u>750,450</u> | <u>694,247</u> |
| Operating Expenses | | |
| Personnel Costs | | |
| Wages | 23,703 | 27,403 |
| Employer costs | 15,335 | 12,158 |
| Total Personnel Costs | <u>39,038</u> | <u>39,561</u> |
| Supplies, Service and Other Charges | | |
| Communications | 799 | 506 |
| Insurance | 16,346 | 17,780 |
| Miscellaneous | 0 | 0 |
| Operating supplies | 13,379 | 13,683 |
| Professional services | 48 | 380 |
| Repairs and maintenance | 1,215 | 5,149 |
| Sanation contract | 719,228 | 634,659 |
| Total Supplies, Services and Other Charges | <u>751,015</u> | <u>672,157</u> |
| Total Operating Expenses | <u>790,053</u> | <u>711,718</u> |
| Operating Loss Before Depreciation | (39,603) | (17,471) |
| Depreciation expense | 8,769 | 8,769 |
| Operating Loss | <u>(48,372)</u> | <u>(26,240)</u> |
| Non-operating Revenues (Expenses) | | |
| Taxes | 200,544 | 188,470 |
| Interest income | 16,134 | 3,888 |
| Total Non-operating Revenues (Expenses) | <u>216,678</u> | <u>192,358</u> |
| Change in Net Assets | 168,306 | 166,118 |

CITY OF BRANDON
Sanitation Fund
Comparison Schedules of Revenues, Expenses and Changes in Fund Net Assets
For the years ended September 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|-------------------------|-------------------------|
| Retained Earnings - beginning of the year | <u>177,159</u> | <u>11,041</u> |
| Retained Earnings - end of the year | <u>345,465</u> | <u>177,159</u> |
| Contributed capital | <u>10,000</u> | <u>10,000</u> |
| Total Fund Net Assets, end of the year | <u><u>\$355,465</u></u> | <u><u>\$187,159</u></u> |

COMPLIANCE REPORT

Barlow, Walker & Hill, P.A.

Certified Public Accountants

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Independent Auditors' Special Report on Compliance
With Office of the State Auditor Requirements

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Honorable Mayor and Members of the Boards of Aldermen
Brandon, Mississippi

We have audited the basic financial statements of the City of Brandon as of and for the year ended September 30, 2006, and have issued our report thereon dated July 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 general purpose financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation are as follows:

Findings

Actual expenditures exceeded budgeted amounts in certain functional categories of the General Fund, Youth Program Fund, Sanitation Fund and Water and Sewer Fund. Section 21-35-15, Miss. Code Ann.(1972) requires municipalities to limit expenditures to budgeted amounts.

Not all personal property owned by the City were properly tagged. The *Municipal Audit and Accounting Guide* requires that certain personal property be tagged.

Recommendation

We recommend that the City comply with Section 21-35-15, Miss. Code Ann. (1972), which requires that actual expenditures be kept within the budgeted amounts.

We also recommend that the City comply with the *Municipal Audit and Accounting Guide* and tag its personal property.

This report is intended for the information of the City of Brandon's 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.

Barlow, Walker & Hill, P.A.
Brandon, Mississippi
July 31, 2007



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