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CITY OF COLLINS
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2006
AND AUDTOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
City of Collins, Mississippi

I have audited the accompany financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collins, 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 Collins, Mississippi's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

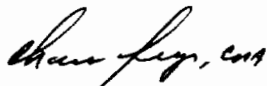
In my opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collins, Mississippi as of September 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 15, 2007, on my consideration of the City of Collins, Mississippi's internal control over financial reporting in my tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 33, 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Collins, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Collins, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Charles E Keys, CPA

Collins, Mississippi
August 15, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Collins' (City) annual financial report, the management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. The discussion focuses on the City's primary government. To the extent this discussion contains any forward-looking statements of the City's plans, expectations, and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the *Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Financial Highlights

The City's assets exceeded its liabilities by \$12,750,869 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,547,858.

- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$ 6,159,293 included property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of \$ 6,591,576 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported ending fund balance of \$ 2,239,857 this year. This compares to the prior year ending fund balance of \$ 1,111,968 showing an increase of \$ 1,127,889 during the current year. These fund balances are all unreserved.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 792,361 or 31.8% of total General Fund expenditures including transfers and 31.5 % of total General Fund revenues including transfers.
- Total liabilities of the City decreased by \$ 10,154 to \$ 943,480.

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both the government-wide financial statements distinctively report government activities of the City that are principally supported by taxes and intergovernmental revenue, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, cultural and recreation. Business-type activities include electrical and water utilities, solid waste management and television cable system. Fiduciary activities such as employee retirement plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes only the funds of the City. The City has no component units to be reported on.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objections. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same function reported as government activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparison between these two perspectives may provide insight into long-term impact of short-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue fund. Budgetary comparison schedules for other special revenue funds and debt service fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are the utility enterprise fund and the cable fund. These funds essentially encompass the same function reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as electric and water utilities and the television cable system.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

CITY OF COLLINS, MISSISSIPPI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2006

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* and *Other Supplementary Information* includes detail for long-term debt supporting general government services and information by fund and component unit for capital assets, receivables, payable, transfers and payments within the reporting entity. Supplementary information follows the notes to financial statements.

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at year-end are \$ 12,750,869. This is a \$ 1,203,011 increase over last year's net assets of \$ 11,547,858. The following table provides a summary of the City's net assets at September 30, 2006.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	Amount of Change	% of Change	
	2006	2005	2006	2005				
Current and other assets	\$ 2,384,403	\$ 1,237,173	\$ 4,134,432	\$ 4,321,864	\$ 6,514,835	\$ 5,559,037	955,798	17.2%
Capital assets	<u>2,793,984</u>	<u>2,670,802</u>	<u>4,234,065</u>	<u>4,271,653</u>	<u>7,028,049</u>	<u>6,942,455</u>	<u>85,594</u>	1.2%
Total assets	<u>5,174,387</u>	<u>3,907,975</u>	<u>8,368,497</u>	<u>8,593,517</u>	<u>13,542,884</u>	<u>12,501,492</u>	<u>1,041,392</u>	8.3%
Long-term liabilities		30,636	544,647	625,476	544,647	656,112	(111,465)	(16.9%)
Other liabilities	<u>57,991</u>	<u>34,888</u>	<u>189,377</u>	<u>262,634</u>	<u>247,368</u>	<u>297,522</u>	<u>(50,154)</u>	(16.9%)
Total liabilities	<u>57,991</u>	<u>65,524</u>	<u>734,026</u>	<u>888,110</u>	<u>792,015</u>	<u>953,634</u>	<u>(161,619)</u>	(16.9%)
Net assets:								
Invested in capital assets, net of related Debt	2,781,816	2,640,166	3,689,418	3,646,177	6,471,234	6,286,343	184,891	2.9%
Unrestricted	<u>2,334,580</u>	<u>1,202,285</u>	<u>3,945,055</u>	<u>4,059,230</u>	<u>6,279,635</u>	<u>5,261,515</u>	<u>1,018,120</u>	19.4%
Total net assets	<u>\$ 5,116,396</u>	<u>\$ 3,842,451</u>	<u>\$ 7,634,473</u>	<u>\$ 7,705,407</u>	<u>\$ 12,750,869</u>	<u>\$ 11,547,858</u>	<u>\$ 1,203,011</u>	10.4%

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased by a net of \$ 1,203,011 in governmental and business-type activities. The City's overall financial position improved during fiscal year 2006.

CITY OF COLLINS, MISSISSIPPI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2006

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the funds statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balance of \$ 2,239,857. Of this year-end total, all is unreserved indicating availability for continuing City service requirements.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$ 207,561.

The Garbage Collection and Disposal Fund has a fund balance of \$ 107,786. The fiscal year included a decrease of \$ 55 mainly because of control of expenses.

The City's governmental activities rely heavily on sales tax. Maintenance of a strong economy has kept sales tax revenues at a healthy level.

Business-type activities continue to reflect an excess of revenues over expenditures. Expenses have been kept in check and revenues generated by increases in the number served have helped keep the needed spread between revenues and expenditures.

The following table provides a summary of the City's changes in net assets for the year ended September 30:

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount of Change</u>	<u>% of Change</u>
	2006	2005	2006	2005	2006	2005		
REVENUES:								
Program Revenues								
Charges for Services	\$ 262,243	\$ 258,433	\$ 4,206,283	\$ 3,715,430	\$ 4,468,526	\$ 3,973,863	494,663	12.4%
Operating grants and contributions	27,373	9,559		17,507	27,373	27,066	307	1.1%
Capital grants and contributions	445,014	383,324	1,886,175		2,331,189	383,324	1,947,865	508.2%
General Revenue								
Sales taxes	1,261,773	1,081,139			1,261,773	1,081,139	180,634	16.7%
Property taxes	448,244	422,675			448,243	422,675	25,568	6.0%
Franchise fees	51,457	42,758	65,588	62,697	117,045	105,455	11,590	11.0%
Other	<u>763,248</u>	<u>36,480</u>	<u>80,812</u>	<u>58,977</u>	<u>844,060</u>	<u>95,457</u>	<u>748,603</u>	783.5%
Total Revenues	\$ <u>3,259,352</u>	\$ <u>2,234,368</u>	\$ <u>6,238,858</u>	\$ <u>3,854,611</u>	\$ <u>9,498,210</u>	\$ <u>6,088,979</u>	\$ <u>3,409,230</u>	56.0%

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006

Summary of Changes in Net Assets (continued)

	Governmental Activities		Business-type Activities		Totals		Amount of Change	% of Change
	2006	2005	2006	2005	2006	2005		
Expenses:								
General government and administration	\$ 599,707	\$ 895,589			\$ 599,707	\$ 895,569	\$(295,862)	(33.0%)
Public safety	865,429	684,531			865,409	684,531	180,898	26.4%
Public works	363,692	329,498			363,692	329,498	34,194	10.4%
Cultural and recreation	154,809	119,185			154,809	119,185	35,624	29.9%
Interest on long-term debt	1,532	2,411			1,532	2,411	(879)	(36.5%)
Electricity and water Utilities			5,730,430	3,236,990	5,730,429	3,236,990	2,493,440	77.0%
Television cable system			578,317	343,768	578,317	343,768	234,549	40.6%
Total expenses	<u>1,985,169</u>	<u>2,031,194</u>	<u>6,308,747</u>	<u>3,580,758</u>	<u>8,293,915</u>	<u>5,611,852</u>	<u>2,681,964</u>	47.8%
Decrease in net assets before transfers	1,274,183	203,174	(69,889)	273,853	1,204,294	477,027	727,267	152.5%
Transfers	1,045	969	(1,045)	(969)				
Changes in net assets	1,275,228	204,143	(70,934)	272,884	1,204,294	477,027	727,267	152.5%
Beginning net assets	3,842,451	3,638,308	7,707,407	7,432,523	11,547,858	11,070,831	477,027	4.3%
Prior period adjustment	(1,283)							
Ending net assets	<u>\$ 5,116,396</u>	<u>\$ 3,842,451</u>	<u>\$ 7,636,473</u>	<u>\$ 7,705,407</u>	<u>\$ 12,752,869</u>	<u>\$ 11,547,858</u>	<u>\$ 1,205,011</u>	10.4%

The cost of total governmental activities for the year was \$ 1,985,169. Of this amount public safety was the largest operating service cost, at 43.6 % of total cost of services in 2006, primarily funded by the City's taxing power. Other governmental activities with significant tax-based funding include general government and administration.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

Both of the proprietary funds of the City are major proprietary funds. They consist of the electric and water utility fund and the television cable system fund. Cost saving efforts and the maintenance of adequate rates both contributed to the decrease in net assets for these funds of \$ 70,934 for 2006.

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2006 was approximately \$ 3.20 million. This was an increase of approximately \$ 1.47 million over the previous year's budget.

CITY OF COLLINS, MISSISSIPPI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2006

The General Fund adopted budget was amended once during the 2006 fiscal year. This amendment was made to increase anticipated revenues by approximately \$ 862,000 and to increase anticipated expenditures by approximately \$ 202,000.

The General Fund budget complied with the budgetary process required by the State of Mississippi and maintained core City services.

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2006 was \$ 2,793,984 and \$ 4,234,065 respectively. Major capital assets additions during the current fiscal year include sidewalk project, playground equipment and water system improvements.

**Capital Assets
 Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount of Totals</u>	<u>% of Change</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>		
Non Depreciable Assets								
Land	\$ 554,277	\$ 622,375	\$ 64,400	\$ 64,400	\$ 618,677	\$ 686,775	\$ (68,098)	(9.9%)
Depreciable Assets								
Buildings	854,851	843,862	32,756	34,772	887,607	878,634	8,973	1.0%
Infrastructure and improvements other than buildings	991,864	746,131	3,603,540	3,904,185	4,595,404	4,650,316	(54,912)	(1.2%)
Furniture, machinery and equipment	<u>392,992</u>	<u>458,434</u>	<u>533,369</u>	<u>268,295</u>	<u>926,361</u>	<u>726,729</u>	<u>199,632</u>	25.5%
Total	\$ <u>2,793,984</u>	\$ <u>2,670,802</u>	\$ <u>4,234,065</u>	\$ <u>4,373,857</u>	\$ <u>7,028,049</u>	\$ <u>6,942,454</u>	\$ <u>85,595</u>	1.2%

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finance, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like additional information, contact the City Clerk's office at 300 Main Street, Collins, Mississippi 39428.

City of Collins, Mississippi
 Government - Wide Statement of Net Assets
 September 30, 2006

Exhibit A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,757,846	\$ 556,801	\$ 2,314,647
Investments	87,000	1,847,330	1,934,330
Receivables (net of allowance for doubtful accounts):			
Ad valorem taxes	4,155		4,155
Other taxes	7,613	6,479	14,092
Accounts		881,603	881,603
Accrued interest	597	18,970	19,567
Other	82,556		82,556
Due from other governments	337,339	734,167	1,071,506
Internal balances	103,297	(103,297)	
Inventories		77,059	77,059
Restricted assets:			
Customer deposits		115,320	115,320
Other assets			
Capital assets:			
Land	554,277	64,400	618,677
Other capital assets, net of depreciation	<u>2,239,707</u>	<u>4,169,665</u>	<u>6,409,372</u>
TOTAL ASSETS	<u>5,174,387</u>	<u>8,368,497</u>	<u>13,542,884</u>
LIABILITIES			
Accounts payable	45,823	69,163	114,986
Undeliverable funds		3,283	3,283
Payable from restricted assets:			
Customer deposits		115,320	115,320
Unearned revenue		1,611	1,611
Noncurrent liabilities:			
Due within one year	12,168	86,098	98,266
Due in more than one year		<u>458,549</u>	<u>458,549</u>
TOTAL LIABILITIES	<u>57,991</u>	<u>734,024</u>	<u>792,015</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,781,816	3,689,418	6,471,234
Unrestricted	<u>2,334,580</u>	<u>3,945,055</u>	<u>6,279,635</u>
TOTAL NET ASSETS	<u>\$ 5,116,396</u>	<u>\$ 7,634,473</u>	<u>\$ 12,750,869</u>

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

Exhibit B

City of Collins, Mississippi
 Government - Wide Statement of Activities
 For the Year Ended September 30, 2006

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PROGRAM ACTIVITIES							
GOVERNMENTAL ACTIVITIES							
General government and administration	\$ 599,707	\$ 11,952	\$ 19,849	\$ 433,483	\$ (134,423)	\$	\$ (134,423)
Public Safety	865,429	157,054	7,524	11,531	(689,320)		(689,320)
Public Works	363,692	93,237			(270,455)		(270,455)
Cultural and recreational	154,809				(154,809)		(154,809)
Interest on long term debt	1,532				(1,532)		(1,532)
TOTAL GOVERNMENTAL ACTIVITIES	1,985,169	262,243	27,373	445,014	(1,250,539)		(1,250,539)
BUSINESS-TYPE ACTIVITIES							
Water, sewer and electricity	5,730,430	3,870,530		1,886,175		26,275	26,275
Cable	578,317	335,753				(242,564)	(242,564)
TOTAL BUSINESS-TYPE ACTIVITIES	6,308,747	4,206,283		1,886,175		(216,289)	(216,289)
TOTAL GOVERNMENT	\$ 8,293,916	\$ 4,468,526	\$ 27,373	\$ 2,331,189	\$ (1,250,539)	\$ (216,289)	\$ (1,466,828)
GENERAL REVENUES							
Taxes:							
Ad valorem					448,244		448,244
Sales					1,261,773		1,261,773
Other					7,545		7,545
Franchise fees					51,457	65,588	117,045
Investment earnings					9,243	78,140	87,383
Rents					83,778		83,778
Gain (loss) on sale/retirement of capital assets					643,022		643,022
Miscellaneous					19,660	2,672	22,332
Transfers					1,045	(1,045)	
TOTAL GENERAL REVENUES AND TRANSFERS					2,525,767	145,355	2,671,122
CHANGES IN NET ASSETS					1,275,228	(70,934)	1,204,294
NET ASSETS AT BEGINNING OF YEAR					3,842,451	7,705,407	11,547,858
Prior year adjustment					(1,283)		(1,283)
NET ASSETS AT END OF YEAR					\$ 5,116,396	\$ 7,634,473	\$ 12,750,869

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

City of Collins, Mississippi
 Balance Sheet
 Governmental Funds
 September 30, 2006

Exhibit C

	<u>General Fund</u>	<u>Garbage Collection and Disposal</u>	<u>Other Governmental Funds</u>	<u>Total Governmenta Funds</u>
ASSETS				
Cash and cash equivalents	\$ 458,406	\$ 116,702	\$ 1,269,739	\$ 1,844,847
Receivables (net where applicable of allowance for doubtful accounts):				
Ad valorem taxes	4,155			4,155
Other taxes	7,613			7,613
Accrued interest			596	596
Due from other funds	151,465			151,465
Due from other governments	<u>204,814</u>	<u> </u>	<u>132,525</u>	<u>337,339</u>
TOTAL ASSETS	<u>826,453</u>	<u>116,702</u>	<u>1,402,860</u>	<u>2,346,015</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	30,802	8,553	5,972	45,327
Unclaimed checks	495			495
Due to other funds	<u>6,178</u>	<u>363</u>	<u>45,010</u>	<u>51,551</u>
TOTAL LIABILITIES	37,475	8,916	50,982	97,373
FUND BALANCES				
Unreserved, reported in:				
General fund	788,978			788,978
Special revenue funds	<u> </u>	<u>107,786</u>	<u>1,355,261</u>	<u>1,463,047</u>
TOTAL FUND BALANCES	<u>788,978</u>	<u>107,786</u>	<u>1,355,261</u>	<u>2,252,025</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>826,453</u>	\$ <u>116,702</u>	\$ <u>1,406,243</u>	\$ <u>2,349,398</u>

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

City of Collins, Mississippi
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
Year Ended September 30, 2006

Exhibit C-1

TOTAL FUND BALANCE - Governmental Funds (Exhibit C)	\$	2,252,025
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,335,984.		2,793,983
Other non-exchange receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		82,556
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(12,168)</u>
TOTAL NET ASSETS - Governmental Activities (Exhibit A)	\$	<u>5,116,396</u>

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

City of Collins, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

Exhibit D

	General Fund	Garbage Collection and Disposal	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Ad valorem	\$ 377,533	\$ 66,880	\$	\$ 444,413
Penalty and interest	3,830			3,830
Sales	1,261,773			1,261,773
Franchise fees	51,457			51,457
Charges for services	19,758	91,838	44,767	156,363
Intergovernmental			7,545	7,545
Licenses and permits	9,752			9,752
Investment income	6,771		2,472	9,243
Fines and forfeitures	102,606			102,606
Rents	7,428		76,350	83,778
Gain on sale of assets	727,020			727,020
Miscellaneous	12,960		12,721	25,681
TOTAL REVENUES	<u>2,580,888</u>	<u>158,718</u>	<u>143,855</u>	<u>2,883,461</u>
EXPENDITURES:				
Current:				
General government and administration	456,890		4,450	461,340
Public safety	735,630		98,778	834,408
Public works	190,175	158,633	10,271	359,079
Cultural and recreational	139,739			139,739
Capital outlay	25,383		351,290	376,673
Debt service:				
Principal retirement			18,468	18,468
Interest and other fees			1,532	1,532
TOTAL EXPENDITURES	<u>1,547,817</u>	<u>158,633</u>	<u>484,789</u>	<u>2,191,239</u>
Excess (deficiency) of revenues over expenditures	<u>1,033,071</u>	<u>85</u>	<u>(340,934)</u>	<u>692,222</u>
Other financing sources (uses):				
Grants	4,263		442,527	446,790
Transfers in			829,674	829,674
Transfers out	(828,489)	(140)		(828,629)
Total Other Financing Sources (Uses)	<u>(824,226)</u>	<u>(140)</u>	<u>1,272,201</u>	<u>447,835</u>
Excess (deficiency) of revenues over expenditures	208,845	(55)	931,267	1,140,057
FUND BALANCES AT BEGINNING OF YEAR	<u>580,133</u>	<u>107,841</u>	<u>423,994</u>	<u>1,111,968</u>
FUND BALANCES AT END OF YEAR	<u>\$ 788,978</u>	<u>\$ 107,786</u>	<u>\$ 1,355,261</u>	<u>\$ 2,252,025</u>

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

City of Collins, Mississippi
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the
 Statement of Activities
 Year Ended September 30, 2006

Exhibit D-1

NET CHANGE IN FUND BALANCES - Total Governmental Funds (Exhibit D)	\$	1,140,057
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		187,605
<p>In the statement of activities, the sale of capital assets is reported as a book gain, whereas in the governmental funds, capital outlay is reported as an expenditure in the year of purchase. Thus, the change in net assets differs from the change in fund balance by the cost of sold capital assets.</p>		(83,998)
<p>In the statement of activities, the contribution of capital assets is reported at fair market value of the asset, whereas in the governmental funds, contribution of capital assets are not reported.</p>		19,575
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		(6,479)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		<u>18,468</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (Exhibit B)	\$	<u>1,275,228</u>

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

City of Collins, Mississippi
Statement of Net Assets
Proprietary Fund
September 30, 2006

Exhibit E

	<u>Utility Enterprise Fund</u>	<u>Collins Communication Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 743,572	\$ (186,771)	\$ \$ 556,801
Investments	1,847,330		1,847,330
Receivables (net of allowance for doubtful accounts):			
Accounts	850,234	31,369	881,603
Accrued interest	18,970		18,970
Taxes	6,479		6,479
Due from other governments	549,755	184,412	734,167
Due from other funds	130,245	2,598	132,843
Inventories	<u>67,508</u>	<u>9,551</u>	<u>77,059</u>
TOTAL CURRENT ASSETS	<u>4,214,093</u>	<u>41,159</u>	<u>4,255,252</u>
NONCURRENT ASSETS:			
Restricted assets:			
Customer deposits	115,045	275	115,320
Other assets			
Capital assets:			
Land	64,400		64,400
Other capital assets, net of depreciation	<u>3,857,723</u>	<u>311,942</u>	<u>4,169,665</u>
TOTAL NONCURRENT ASSETS	<u>4,037,168</u>	<u>312,217</u>	<u>4,349,385</u>
TOTAL ASSETS	<u>8,251,261</u>	<u>353,376</u>	<u>8,604,637</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	50,474	18,689	69,163
Undeliverable funds	3,205	78	3,283
Due to other funds	154,063	82,077	236,140
Notes Payable	86,098		86,098
Unearned revenue		1,611	1,611
Payable from restricted assets:			
Deposits	<u>115,045</u>	<u>275</u>	<u>115,320</u>
TOTAL CURRENT LIABILITIES	<u>408,885</u>	<u>102,730</u>	<u>511,615</u>
NONCURRENT LIABILITIES			
Notes payable	<u>458,549</u>		<u>458,549</u>
TOTAL LIABILITIES	<u>867,434</u>	<u>102,730</u>	<u>970,164</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,377,476	311,942	3,689,418
Unrestricted	<u>4,006,351</u>	<u>(61,296)</u>	<u>3,945,055</u>
TOTAL NET ASSETS	<u>\$ 7,383,827</u>	<u>\$ 250,646</u>	<u>\$ 7,634,473</u>

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

City of Collins, Mississippi
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For Year Ended September 30, 2006

Exhibit F

	Utility Enterprise Fund	Collins Communication Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 3,792,258	\$ 335,753	\$ 4,128,011
Late charges and service charges	78,273		78,273
Franchise fees	65,588		65,588
Miscellaneous	<u>2,672</u>		<u>2,672</u>
TOTAL OPERATING REVENUES	3,938,791	335,753	4,274,544
OPERATING EXPENSES:			
Cost of sales and services	3,339,021	298,520	3,637,541
Administration	180,411	43,092	223,503
Depreciation	<u>229,933</u>	<u>30,845</u>	<u>260,778</u>
TOTAL OPERATING EXPENSES	<u>3,749,365</u>	<u>372,457</u>	<u>4,121,822</u>
NET INCOME (LOSS) FROM OPERATIONS	189,426	(36,704)	152,722
NONOPERATING REVENUES (EXPENSES):			
Investment income	78,140		78,140
Interest expense	(20,411)		(20,411)
Hurricane Katrina restoration	<u>(1,960,654)</u>	<u>(205,861)</u>	<u>(2,166,515)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,902,925)</u>	<u>(205,861)</u>	<u>(2,108,786)</u>
NET INCOME (LOSS) BEFORE GRANTS AND TRANSFERS	(1,713,499)	(242,565)	(1,956,064)
Capital grants	1,701,763	184,412	1,886,175
Transfers in			
Transfers out	<u>(824)</u>	<u>(221)</u>	<u>(1,045)</u>
CHANGE IN NET ASSETS	(12,560)	(58,374)	(70,934)
NET ASSETS AT BEGINNING OF YEAR	<u>7,396,387</u>	<u>309,020</u>	<u>7,705,407</u>
NET ASSETS AT END OF YEAR	\$ <u>7,383,827</u>	\$ <u>250,646</u>	\$ <u>7,634,473</u>

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

City of Collins, Mississippi
Statement of Cash Flows
Proprietary Funds
For Year Ended September 30, 2006

Exhibit G

	Utility Enterprise Fund	Collins Communications Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,665,801	\$ 322,415	\$ 3,988,216
Other operating cash receipts	145,711		145,711
Cash payments to suppliers for goods and services	(3,039,363)	(256,693)	(3,296,056)
Cash payments to employees for services	<u>(515,475)</u>	<u>(109,408)</u>	<u>(624,883)</u>
NET CASH USED BY OPERATING ACTIVITIES	256,674	(43,686)	212,988
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due to customers	655		655
Transfers to other funds	<u>(1,357)</u>	<u>(221)</u>	<u>(1,578)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(702)	(221)	(923)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(173,241)	(35,450)	(208,691)
Interest paid on long-term debt	(20,411)		(20,411)
Principal paid on long-term debt	(80,830)		(80,830)
Capital grants	1,222,820	27,427	1,250,247
Hurricane Katrina restoration	<u>(1,960,654)</u>	<u>(205,861)</u>	<u>(2,166,515)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,012,316)	(213,884)	(1,226,200)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and cash equivalents	71,467		71,467
Purchase of investments	<u>(10,188)</u>		<u>(10,188)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	61,279		61,279
NET DECREASE IN CASH AND CASH EQUIVALENTS			
	(695,065)	(257,791)	(952,856)
Cash and cash equivalents, October 1	1,438,637	71,295	1,509,932
Cash and cash equivalents, September 30	<u>\$ 743,572</u>	<u>\$ (186,496)</u>	<u>\$ 557,076</u>

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

City of Collins, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

Exhibit G
(continued)

	<u>Utility Enterprise Fund</u>	<u>Collins Communications Fund</u>	<u>Totals</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
INCOME (LOSS) FROM OPERATIONS	\$ 189,426	\$ (36,704)	\$ 152,722
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation and Amortization	230,433	30,845	261,278
Changes in assets and liabilities:			
(Increase) Decrease in accounts receivables	(120,279)	(9,134)	(129,413)
(Increase) Decrease in other receivables	(822)		(822)
(Increase) Decrease in inventories	2,878	256	3,134
Increase (decrease) in accounts payables	(44,962)	(30,560)	(75,522)
Increase (decrease) in unearned revenues	<u> </u>	<u>1,611</u>	<u>1,611</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ <u>256,674</u>	 \$ <u>(43,686)</u>	 \$ <u>212,988</u>

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

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

I. SUMMARY OF SIGNIFICANT POLICIES

I-A INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of City of Collins, Mississippi (City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2006. The City implemented new reporting standards as required by the *Government Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued 1999 was implemented for the fiscal year ended September 30, 2004.

I-B GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

Government-wide Financial Statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

I-B.1 MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in the statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, property taxes, franchise fees, intergovernmental revenue, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements. Investments, non-current report assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

I-B.2 FUND TYPES AND MAJOR FUNDS

Government Funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Garbage Collection and Disposal Fund – accounts for the garbage and solid waste collection and disposal.

Proprietary Funds

The City reports the following major enterprise funds:

Utility Enterprise Fund – accounts for the operating activities of the City's electricity and water utility services.

Collins Communication Fund – accounts for the operating activities of the City's television cable services.

Agency Fund – accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of the others. The City's agency fund is used to account for various deposits, bail bonds, performance bonds, and escrow monies.

I-C ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

I-C.1 CASH AND INVESTMENTS

The City maintains and controls cash in each of the funds or fund types operated. Investments are separately held and reflected in respective funds as investments, some of which are restricted funds.

All cash deposits are reported at carrying amount (cost) which reasonably estimates fair market value.

I-C.2 CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund and financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets which cost \$1 thousand or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in year, for depreciable assets are as follows:

Buildings	15-40
Infrastructure	10-50
Mobile equipment, furniture, machinery, and equipment	5-10

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

I-C.3 LONG-TERM DEBT

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

I-D LEASE REVENUE

The City has leased a warehouse building in the industrial park for a monthly lease of \$ 6,000 and a medical facility for \$500 per month.

II. BUDGETARY INFORMATION

II-A

The City Clerk submits an annual budget to the Board of Aldermen on or before the last Tuesday in August in accordance with State of Mississippi requirements. The budget is presented to the Board of Aldermen for review, and public hearings are held to address priorities and the allocation of resources. In September, the Board of Aldermen adopts the annual fiscal year budget for Board of Aldermen operating funds.

II-A.1 BASIS OF BUDGETING

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department within a fund as follows: personal services, contracted services, supplies, other services and charges, and capital outlay. Budget revisions are subject to final review by the Board of Aldermen. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. One revision to the budget was made throughout the year.

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

III-A ASSETS

III-A.1 DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2006, was \$2,290,848 and the bank balances per bank statements were \$2,676,207. The collateral for the public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Annotated (1972). Under this program, collateralization of the entity's funds is monitored by the State Treasurer. Financial Institutions holding deposits of public funds must pledge securities as collateral

CITY OF COLLINS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006

against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments

As of September 30, 2006, the City's reporting entity had the following investments:

<u>Type of Investment</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Days Until Maturity</u>
<u>General Fund</u>				
Certificate of deposit	\$ 25,000	5.11%	03/23/2007	174
Certificate of deposit	<u>15,000</u>	3.33%	11/10/2006	41
Total General Fund Investments	<u>40,000</u>			
<u>Trust and Agency Fund</u>				
Certificate of deposit	9,000	3.85%	10/10/2006	10
Certificate of deposit	10,000	3.85%	02/22/2007	145
Certificate of deposit	12,000	3.00%	10/22/2006	22
Certificate of deposit	<u>16,000</u>	3.85%	03/26/2007	177
Total Trust and Agency Fund investments	<u>47,000</u>			
<u>Utility Enterprise Fund</u>				
Certificate of deposit	14,000	5.11%	03/07/2007	158
Certificate of deposit	15,000	2.11%	03/17/2007	168
Certificate of deposit	10,000	4.12%	02/14/2007	137
Certificate of deposit	16,535	5.11%	03/16/2007	157
Certificate of deposit	10,000	5.11%	10/01/2006	1
Certificate of deposit	10,000	5.11%	03/23/2007	174
Certificate of deposit	30,000	4.12%	02/07/2007	130
Certificate of deposit	10,000	3.79%	01/10/2007	102
Certificate of deposit	5,000	5.11%	03/25/2007	176
Certificate of deposit	10,000	5.11%	10/05/2007	5
Certificate of deposit	45,000	4.12%	02/12/2007	135
Certificate of deposit	100,000	4.10%	03/22/2007	173
Certificate of deposit	100,000	4.10%	01/25/2007	117
Certificate of deposit	100,000	4.10%	01/25/2007	117
Certificate of deposit	100,000	4.10%	03/18/2007	169
Certificate of deposit	26,587	3.85%	01/17/2007	109
Certificate of deposit	150,000	4.10%	01/17/2007	109
Certificate of deposit	100,000	4.10%	03/18/2007	169
Certificate of deposit	100,000	3.25%	03/18/2007	169
Certificate of deposit	100,000	3.25%	10/27/2006	27

CITY OF COLLINS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006

<u>Type of Investment</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Days Until Maturity</u>
Certificate of deposit	100,000	3.25%	10/27/2006	27
Certificate of deposit	100,000	4.10%	02/06/2007	128
Certificate of deposit	100,000	3.353%	11/28/2007	59
Certificate of deposit	75,000	3.45%	01/17/2007	109
Certificate of deposit	45,000	2.92%	03/05/2007	156
Certificate of deposit	104,209	3.26%	10/26/2006	26
Certificate of deposit	102,381	3.26%	10/24/2005	24
Certificate of deposit	121,822	3.26%	10/11/2007	11
Certificate of deposit	85,517	2.77%	10/27/2006	27
Certificate of deposit	<u>76,325</u>	2.82%	10/13/2006	13
Total utility enterprise fund investments	<u>1,962,376</u>			
Grand total of Investments	<u>\$2,049,376</u>			

The only type of investments that the City purchases are certificates of deposit.

III-A.2 RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivables, Uncollectible Accounts, and Deferred Revenue

Significant receivable include amounts due from customers primarily for utility services and television cable services. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Related amounts are shown in the following table:

	<u>Utility Enterprise Fund</u>	<u>Collins Communications Fund</u>	<u>Total</u>
Accounts receivable	\$ 940,736	\$ 96,453	\$ 1,037,189
Less allowance for uncollectible accounts	<u>(90,502)</u>	<u>(65,084)</u>	<u>(155,586)</u>
Net accounts receivable	<u>\$ 850,234</u>	<u>\$ 31,369</u>	<u>\$ 881,603</u>
Uncollectible amounts netted with revenues	<u>\$ 90,502</u>	<u>\$ 65,084</u>	<u>\$ 155,586</u>

Property Taxes Receivable and Property Tax Calendar

Property taxes on real property and personal property (except for motor vehicles) are collected by the City. Motor vehicle taxes are collected by the County and remitted to the City. Taxes are levied annually on January 1 for the prior year and are due by January 31.

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

III-A.3 CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED		Totals
	Land	Buildings	Infrastructure and Improvements Other than Buildings	Furniture and Machinery Equipment	
<i>Governmental Activities</i>					
Balance, September 30, 2005	\$ 622,374	\$ 1,569,976	\$ 855,985	1,770,052	\$ 4,818,387
Increases	15,900	58,300	265,980	56,068	396,247
Decreases	(83,997)			(670)	(84,667)
Balance, September 30, 2006	<u>554,277</u>	<u>1,628,276</u>	<u>1,121,965</u>	<u>1,825,450</u>	<u>5,129,968</u>
<i>Accumulated Depreciation</i>					
Balance, September 30, 2005		726,114	109,855	1,311,616	2,147,585
Increases		47,311	20,245	121,513	189,069
Decreases				(32,173)	(32,173)
Balance, September 30, 2006		<u>773,425</u>	<u>130,100</u>	<u>1,432,459</u>	<u>2,335,984</u>
<i>Governmental Activities</i> Capital Assets, net	<u>622,374</u>	<u>843,862</u>	<u>746,130</u>	<u>458,436</u>	<u>2,670,802</u>
<i>Business-type Activities</i>					
Balance, September 30, 2004	64,400	64,718	6,276,634	1,358,739	7,764,491
Increases			136,591	72,000	208,691
Decreases					
Balance, September 30, 2005	<u>64,400</u>	<u>64,718</u>	<u>6,413,825</u>	<u>1,430,839</u>	<u>7,973,182</u>
<i>Accumulated Depreciation</i>					
Balance, September 30, 2005		29,945	2,637,648	810,245	3,477,838
Increases		2,017	172,036	87,226	261,279
Decreases					
Balance, September 30, 2006		<u>31,962</u>	<u>2,809,684</u>	<u>897,471</u>	<u>3,731,117</u>
<i>Business-type Activities</i> Capital Assets, net	<u>64,400</u>	<u>32,756</u>	<u>3,603,541</u>	<u>533,368</u>	<u>4,234,065</u>
Grand Total, net	<u>\$ 686,774</u>	<u>\$ 887,607</u>	<u>\$4,595,406</u>	<u>\$ 926,359</u>	<u>\$ 7,028,049</u>

CITY OF COLLINS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006

Approximately \$485,000 (cost of \$820,000 and accumulated depreciation of \$335,000) of government-type activity property is held for lease to others at September 30.

Depreciation Expense

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General government	23,368	Television cable fund	30,845
Public safety:		Utility enterprise fund	229,933
Police	46,401		
Fire	32,477		
Public safety	62,533		
Parks and recreation	25,290		

III-B LIABILITIES

III-B.1 NOTES PAYABLE

The City issued notes payable to expand the sewer system, purchase a fire truck and purchase a bucket truck.

The debt service for notes payable are:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
	<u>City Wide</u>	<u>Utility Enterprise Fund</u>
2007	12,168	89,354
2008		68,793
2009		50,589
2010		52,128
2011		53,714
Thereafter		<u>231,372</u>
Total	<u>30,636</u>	<u>545,950</u>
Range of interest rates	0.0 – 5.0%	3.0%
Cost of assets	154,350	780,520
Accumulated depreciation	137,629	128,030

III-B.2 LONG-TERM DEBT

Long-term Debt Supporting Governmental Activities

Long-term borrowings have been made from a local bank as well as the State of Mississippi to enable the City to buy equipment and expand sewer/water systems as needed. The longest term for a note currently outstanding is for 12 years from date of origination.

CITY OF COLLINS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006

Changes In Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2005:

	Balance October 1, <u>2005</u>	<u>Issued</u>	<u>Retired</u>	Balance September 30, <u>2006</u>	Due Within <u>One Year</u>
Governmental Activities					
Notes payable	\$ 30,636	---	\$ 18,468	\$ 12,168	\$ 12,168
Business-type Activities					
Notes payable	<u>625,476</u>	<u> </u>	<u>79,526</u>	<u>545,950</u>	<u>89,354</u>
Totals	<u>\$ 656,112</u>	<u> </u>	<u>\$ 97,994</u>	<u>\$ 558,118</u>	<u>\$ 101,522</u>

IV. DEFINED BENEFIT PLAN

All eligible employees of the City participate in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. The payroll for employees covered by PERS for the year ended June 30, 2006 was \$4,739,000,000; the City's total payroll was \$1,374,062.

Membership in PERS is a condition of employment for all eligible employees of the State of Mississippi, public schools, institutions of higher learning, community and junior colleges, and eligible employees of municipalities, counties and other political subdivisions and instrumentalities of municipal and county government that have entered into a Membership Agreement approved by the PERS Board of Trustees (Board).

Participating employees who retire at or after age 60 with four or more years of membership service or those who retire regardless of age with at least 25 years of credited service, upon application, are entitled to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 25 years, plus 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of four years of credited service. PERS provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq, Mississippi Code Ann (1972) and may be amended only by the State of Mississippi Legislature.

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost-of-living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2006, the total additional annual payments were \$232,710,000.

Covered employees as of June 30, 2006 of the City were required by statute to contribute 7.25% of their salary to PERS. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings allocations may be refunded to the employee or designated beneficiary. Investment earnings allocations were 3.5% in 2006. Each participating employer is required by statute to contribute the remaining amounts necessary to finance the coverage of its own employees. Benefits and contribution provisions are established by State law and may be amended only by the State of Mississippi Legislature. The contribution requirement for the year ended September 30, 2006 was \$341,486, which consisted of \$144,931 from the City and \$96,555 from employees. The employer and employee contributions represented 9.75% and 7.25% of covered payroll, respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 2006 for PERS whole, determined through an actuarial valuation performed as of that date, was \$24,928,464,000. PERS net assets available for benefits on that date (determined by book value) were \$18,321,063,000 leaving an unfunded pension benefit obligation of \$6,546,393. The City's 2005 contribution represented less than one percent of total contributions required by all participating entities.

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in PERS June 30, 2006 Comprehensive Annual Financial Report.

V. LITIGATION

The City of Collins, Mississippi is defendant in three lawsuits involving a police pursuit. The cases are styled as follows:

Estate of Jarriet T. Huey v. City of Collins, Mississippi, et al
Forrest County Circuit Court, Cause Number C103-0287

CITY OF COLLINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Guardianship of Mandrez O. Berry, a Minor, v. City of Collins, Mississippi, et al
Forrest County Circuit Court, Cause Number C103-0286

Estate of Marlene P. Pratt, v. City of Collins, Mississippi, et al
Forrest County Circuit Court, Cause Number C103-0285

These cases were settled early in 2007 with the City of Collins incurring no liability.

The City of Collins, Mississippi is the defendant in a lawsuit involving a slip and fall. The case is styled as follows:

McGee v. Town of Collins
Covington County Circuit Court, Cause Number 2005-174C

It is the opinion of legal counsel that the City has no liability in this case.

City of Collins, Mississippi
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2006

Exhibit H-1

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$	\$ 580,133	\$ 580,133	\$
Resources (inflows):				
General property taxes	364,000	364,000	381,363	17,363
Licenses and permits	59,700	59,700	61,209	1,509
Intergovernmental revenues	1,107,674	1,107,674	1,261,773	154,099
Charges for services	100	100	19,758	19,658
Fines and forfeitures	138,000	138,000	102,606	(35,394)
Investment Income	10,000	18,096	6,771	(11,325)
Rents			7,428	7,428
Gain on sale of assets			727,020	727,020
Grants			4,263	4,263
Miscellaneous	3,825	13,714	12,960	(754)
Amounts available for appropriation	1,683,299	2,281,417	3,165,284	883,867
Charges to appropriations (outflows)				
General government:				
Board of aldermen	131,186	131,575	125,615	5,960
City Court and elections	95,502	97,435	92,786	4,649
Mayor	65,444	66,364	63,618	2,746
Finance and accounting	172,025	188,953	176,744	12,209
Public safety:				
Police protection	702,530	773,975	743,487	30,488
Public works:				
Street maintenance	412,840	373,443	172,629	200,814
City landfill	500	500		500
Cemetery:	25,000	26,000	3,653	22,347
Culture and recreation:				
Parks and recreation	128,907	137,766	117,773	19,993
Library	17,173	19,994	31,386	(11,392)
Nondepartmental:				
Debt retirement				
Dog pound	2,600	2,600	1,059	1,541
Mosquito control	28,100	28,100	19,067	9,033
Civic Center		56,550		56,550
Millcreek building	18,500	18,500		18,500
Transfers to other funds	119,595	119,595	828,489	(708,894)
Total charges to appropriations	1,919,902	2,041,350	2,376,306	(334,956)
Budgetary fund balance, September 30	\$ (236,603)	\$ 240,067	\$ 788,978	\$ 548,911

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

City of Collins, Mississippi
 Budgetary Comparison Schedule
 Garbage Collection and Disposal Fund
 For the Year Ended September 30, 2006

Exhibit H-2

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$	\$ 107,841	\$ 107,841	\$
Resources (inflows):				
General property taxes	66,600	66,600	66,880	280
Charges for services	94,000	94,000	91,838	(2,162)
Amounts available for appropriation	160,600	268,441	266,559	(1,882)
Charges to appropriations (outflows)				
Public works:				
Garbage collection and disposal	194,692	203,639	158,633	45,006
Nondepartmental:				
Transfers to other funds			140	(140)
Total charges to appropriations	194,692	203,639	158,773	44,866
Budgetary fund balance, September 30	\$ (34,092)	\$ 64,802	\$ 107,786	\$ 42,984

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

City of Collins
 Budgetary Comparison Schedule
 Budget-to-GAAP Reconciliation
 For the Year ended September 30, 2006

Exhibit H-3

	<u>General Fund</u>	<u>Garbage Collection and Disposal</u>
Note A--Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures		
<u>Sources/Inflows of resources</u>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (H-1 and H-2)	\$ 3,165,284	\$ 266,559
Differences--budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(580,133)</u>	<u>(107,841)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	\$ <u>2,585,151</u>	\$ <u>158,718</u>
<u>Uses/outflows of resources</u>		
Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule (H-1 and H-2)	\$ 2,376,306	\$ 158,773
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(828,489)</u>	<u>(140)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances--governmental funds	\$ <u>1,547,817</u>	\$ <u>158,633</u>

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

CITY OF COLLINS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U. S. Department of Housing and Urban Development:</u>				
Pass-through Mississippi Department of Economic and Community Development: Community Development Block Grant	14.219	1122-05-150ED-01	504,500	256,139
<u>U. S. Department of Homeland Security</u>				
Pass-through Mississippi Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	031-15140-00	2,521,282	1,222,820
Emergency Management Performance Grant	97.067	05HS150	11,531	11,531
<u>U. S. Department of the Interior</u>				
Pass-through Mississippi Department of Wildlife, Fisheries, and Parks Outdoor Recreation Acquisition, Development and Planning	15.916	28-00812	150,000	
TOTAL FEDERAL ASSISTANCE			<u>3,187,313</u>	<u>1,490,490</u>

Charles E. Keys

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

To the Board of Aldermen
City of Collins, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collins, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City of Collins, Mississippi's basic financial statements and have issued my report thereon dated August 15, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City of Collins, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Collins, Mississippi's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Collins, Mississippi's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Collins, Mississippi's internal control.


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

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Collins, Mississippi, in a separate letter dated August 15, 2007.

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


Charles E. Keys, CPA
Collins, Mississippi

August 15, 2007

CEK/jar

Charles E. Keys

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Aldermen
City of Collins, Mississippi

Compliance

I have audited the compliance of City of Collins, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. City of Collins, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Collins, Mississippi's management. My responsibility is to express an opinion on City of Collins, Mississippi's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Collins, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City of Collins, Mississippi's compliance with those requirements.

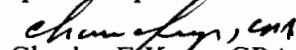
In my opinion, City of Collins, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of City of Collins, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered City of Collins, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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


Charles E. Keys, CPA

Collins, Mississippi
August 15, 2007

CEK/jar

Charles E. Keys

Certified Public Accountant

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Honorable Mayor and Board of Aldermen
City of Collins
Collins, Mississippi

Gentleman:

I have audited the financial statements of the City of Collins, Mississippi for the year ended September 30, 2006, and have issued my report dated August 15, 2007. In the course of my audit, the following items that need your attention were discovered.


1. The balance of police fines were \$330,226 at September 30, 2006 and \$356,142 at September 30, 2005 or a \$25,916 decrease that equals to 7.28%.
2. Necessary steps should be taken to see that utility receivables are kept current. total delinquent accounts at September 30, 2006 were \$120,670 and \$ 112,482 at September 30, 2005.
3. I recommend that a full time employee should be utilized to handle the cash collections in the office and receipt of mail collections as well as collection of delinquent utility accounts. A separate employee to handle this work would meet the separation of duties test.
4. In connection with m evaluation of internal accounting control, I make the following comments and recommendations.

Separation of Duties

1. The persons who maintain the utility billing records and the police fine records also collect money that pays the utility bills and police fines. I was able to overcome this deficiency with extensive testing. However, I do recommend that persons handling the above records not collect money that pays the bills.
2. The bookkeeper, in extremely busy times, collects money from various sources. Due to the limited number of occurrences, I do not consider this a material weakness.

I would be pleased to discuss, at your convenience, the matters reported or to answer
Any questions you may have.

Very truly yours,


Charles E Keys, CPA
August 15, 2007

CEK/jar