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**CITY OF D'IBERVILLE, MISSISSIPPI
ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION

**CITY OF D'IBERVILLE, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2006**

MAYOR

Rusty Quave

MEMBERS OF COUNCIL

REPRESENTING

Brenda Broussard	Ward 1
Henry Toncrey	Ward 2
Teddy Harder	Ward 3
Robert Bellman	Ward 4
Glenn Ellis	At large

CITY MANAGER

Richard Rose

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

November 10, 2007

To the Mayor and City Council
City of D'Iberville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of D'Iberville, Mississippi (the City), 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 remaining fund information of the City, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, of those activities, units and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2007 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor and City Council
City of D'Iberville, Mississippi

November 10, 2007

The management's discussion and analysis on pages 4 through 9 and budgetary comparison information listed as Schedule 1 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Introduction

The following Management's Discussion and Analysis of the City of D'Iberville's ("the City") activities and financial performance provides an introduction to the financial statements of the City's for the fiscal year ended September 30, 2006. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities. This MD&A provides comparisons with the previous year.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2006 by \$16,284,890. Of this amount unrestricted net assets of \$8,466,382 may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net assets increased by \$4,208,708. Of this amount \$4,430,727 was associated with governmental and (\$222,019) with business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,275,587, an increase of \$5,506,716 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,367,543 or 40% of total general fund expenditures.

Overview of the Financial Statements

The City's basic financial statements comprise the following elements:

Government-Wide Financial Statements

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

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

Overview of the Financial Statements (Continued)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, economic development, and parks and recreation. The major business-type activities of the City include providing water and sewer services to the residents of the City of D'Iberville.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- Governmental funds

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered major funds and the other governmental funds for the purpose of consistency.

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

Overview of the Financial Statements (Continued)

- Proprietary Fund

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses, and changes in net assets for the Utility Fund.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 in the financial statements for more detailed information on the elements of the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The budget comparisons for the general fund and the special revenue fund are presented immediately after the basic financial statements as required supplementary information.

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

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net assets as of September 30, 2006 derived from the government-wide Statement of Net Assets.

**Table 1: Condensed Statement of Net Assets
As of September 30, 2006**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,427,430	\$ 1,665,138	\$ 10,092,568
Capital assets, net	<u>12,141,714</u>	<u>13,860,325</u>	<u>26,002,039</u>
Total assets	20,569,144	15,525,463	36,094,607
Other liabilities	2,395,732	1,077,482	3,473,214
Long-term liabilities	<u>8,555,893</u>	<u>7,780,610</u>	<u>16,336,503</u>
Total liabilities	<u>10,951,625</u>	<u>8,858,092</u>	<u>19,809,717</u>
Net assets:			
Invested in capital assets, net of related debt	2,513,525	5,304,983	7,818,508
Unrestricted	<u>7,103,994</u>	<u>1,362,388</u>	<u>8,466,382</u>
Total net assets	<u>\$ 9,617,519</u>	<u>\$ 6,667,371</u>	<u>\$ 16,284,890</u>

At September 30, 2006, the City's assets exceeded liabilities by \$16,284,890. The City's net assets (48%) reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The remaining portion of net assets is unrestricted, which can be used to finance government operations.

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

Table 2 presents the City's condensed statement of activities for the fiscal year ended September 30, 2006, as derived from the government-wide Statement of Activities.

**Table 2: Condensed Statement of Activities
For the Year Ended September 30, 2006**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 1,024,687	\$ 2,109,633	\$ 3,134,320
Operating grants and contributions	13,468,006	-	13,468,006
Capital grants and contributions	-	229,681	229,681
Total program revenues	<u>14,492,693</u>	<u>2,339,314</u>	<u>16,832,007</u>
General revenues			
Interest earnings	94,277	42,547	136,824
Property taxes	1,900,830	17,014	1,917,844
Franchise taxes	233,447	-	233,447
Sales taxes	5,484,802	-	5,484,802
Insurance	511,999	-	511,999
Lease revenues	91,875	-	91,875
Other	281,187	-	281,187
Total general revenues	<u>8,598,417</u>	<u>59,561</u>	<u>8,657,978</u>
Total revenues	<u>\$ 23,091,110</u>	<u>\$ 2,398,875</u>	<u>\$ 25,489,985</u>
Program expenses			
General government	\$ 1,698,731	\$ -	\$ 1,698,731
Public safety	2,046,296	-	2,046,296
Public works	13,775,793	-	13,775,793
Economic development	266,433	-	266,433
Culture and recreation	471,538	-	471,538
Interest	401,592	-	401,592
Waterfront Development	-	349,306	349,306
Water and sewer	-	2,271,588	2,271,588
Total program expenses	<u>18,660,383</u>	<u>2,620,894</u>	<u>21,281,277</u>
Change in net assets	4,430,727	(222,019)	4,208,708
Beginning net assets, restated	<u>5,186,792</u>	<u>6,889,390</u>	<u>12,076,182</u>
Ending net assets	<u>\$ 9,617,519</u>	<u>\$ 6,667,371</u>	<u>\$ 16,284,890</u>

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

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined unreserved ending fund balance of \$ 7,275,587.

- General Fund

Fund balance at September 30, 2006 totaled \$ 7,367,543, an increase of \$5,598,672 during the fiscal year.

- Capital Projects Fund

Fund balance at September 30, 2006 totaled \$133, an increase of \$133 during the fiscal year.

- Special Revenue Fund

Fund balance at September 30, 2006 totaled (\$92,089), a decrease of \$92,089 during the fiscal year.

Budget Variances in the General Fund

There were amendments to the original budget for the 2006 fiscal year. Refer to the budgetary comparison schedule for the General Fund in the RSI section of the annual report.

Capital Asset and Long-Term Activity

Capital Asset Activity

At September 30, 2006, the City reported \$11,940,125 in net capital assets for governmental activities and \$13,621,300 in capital assets for business-type activities.

Long-Term Debt Activity

At the end of the current fiscal year, the City had \$17,841,667 in outstanding debt, including compensated absences. The City issued \$2,253,096 in additional debt this year for the purchase of sixteen new vehicles, various other equipment and general operations of the City.

Contact the City's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Richard Rose, City Manager
City of D'Iberville, Mississippi
P.O. Box 6519
D'Iberville, MS 39540

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 4,679,295	\$ 498,911	\$ 5,178,206
Receivables	3,590,959	533,751	4,124,710
Due from other governments	157,176	-	157,176
Restricted assets:			
Cash and cash equivalents	-	632,476	632,476
Total current assets	<u>8,427,430</u>	<u>1,665,138</u>	<u>10,092,568</u>
Noncurrent Assets			
Capital assets:			
Land and construction in progress	1,015,986	321,080	1,337,066
Other capital assets, net of accumulated depreciation	10,924,139	13,300,220	24,224,359
Deposits	-	75	75
Bond issuance costs, net	201,589	238,950	440,539
Total noncurrent assets	<u>12,141,714</u>	<u>13,860,325</u>	<u>26,002,039</u>
 Total assets	 20,569,144	 15,525,463	 36,094,607
LIABILITIES			
Current Liabilities			
Accounts payable	1,193,239	51,387	1,244,626
Retainage payable	36,107	25,390	61,497
Accrued interest	186,907	73,720	260,627
Sales tax payable	-	985	985
Due to other funds	-	157,176	157,176
Other liabilities	16,037	-	16,037
Bonds payable	495,000	220,000	715,000
Notes payable	287,698	298,876	586,574
Leases payable	157,628	16,831	174,459
Compensated absences, current	23,116	6,015	29,131
Payable from restricted assets:			
Customer deposits	-	227,102	227,102
Total current liabilities	<u>2,395,732</u>	<u>1,077,482</u>	<u>3,473,214</u>
Long-term Liabilities			
Bonds payable	6,474,160	5,340,000	11,814,160
Notes payable	1,466,552	2,367,024	3,833,576
Leases payable	545,562	73,586	619,148
Compensated absences	69,619	-	69,619
 Total long-term liabilities	 <u>8,555,893</u>	 <u>7,780,610</u>	 <u>16,336,503</u>
 Total liabilities	 <u>10,951,625</u>	 <u>8,858,092</u>	 <u>19,809,717</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,513,525	5,304,983	7,818,508
Unrestricted	<u>7,103,994</u>	<u>1,362,388</u>	<u>8,466,382</u>
 Total net assets	 <u>\$ 9,617,519</u>	 <u>\$ 6,667,371</u>	 <u>\$ 16,284,890</u>

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

**CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 1,698,731	\$ 187,850	\$ -	\$ (1,058,626)		\$ (1,058,626)
Public safety	2,046,296	99,893	-	(1,946,403)		(1,946,403)
Public works	13,775,793	13,180,263	-	(244,276)		(244,276)
Economic development	266,433	-	-	(45,255)		(45,255)
Culture and recreation	471,538	-	-	(471,538)		(471,538)
Interest	401,592	-	-	(401,592)		(401,592)
Total governmental activities	18,660,383	13,468,006	-	(4,167,690)		(4,167,690)
Business-type activities:						
Water and sewer	2,271,588	-	-	(161,955)	(161,955)	(161,955)
Waterfront development	349,306	-	229,681	(119,625)	(119,625)	(119,625)
Total business - type activities	2,620,894	-	229,681	(281,580)	(281,580)	(281,580)
Total	\$ 21,281,277	\$ 13,468,006	\$ 229,681	\$ (4,167,690)	(281,580)	(4,449,270)
General revenues:						
Property taxes				1,900,830	17,014	1,917,844
Sales taxes				5,484,802	-	5,484,802
Franchise taxes				233,447	-	233,447
Interest earnings				94,277	42,547	136,824
Insurance proceeds				511,999	-	511,999
Lease revenues				91,875	-	91,875
Other				281,187	-	281,187
Total general revenues and transfers				8,598,417	59,561	8,657,978
Change in net assets				4,430,727	(222,019)	4,208,708
Net assets - beginning of year, restated				5,186,792	6,889,390	12,076,182
Net assets - end of year				\$ 9,617,519	\$ 6,667,371	\$ 16,284,890

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

FUND LEVEL FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF D'IBERVILLE, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2006**

	General Fund	Capital Projects Funds	Debt Service Funds	Special Revenue Funds	Total Governmental Funds
Assets					
Pooled cash and cash equivalents	\$ 4,679,162	\$ 133	\$ -	\$ -	4,679,295
Receivables:					
Sales taxes	817,346	-	-	-	817,346
Franchise taxes	96,927	-	-	-	96,927
Grant receivable	2,632,603	-	-	-	2,632,603
Insurance	44,083	-	-	-	44,083
Due from other funds	249,265	-	-	-	249,265
Deferred charges, net	116,656	-	-	-	116,656
Total assets	\$ 8,636,042	\$ 133	\$ -	\$ -	\$ 8,636,175
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 1,193,239	\$ -	\$ -	\$ -	\$ 1,193,239
Retainage payable	36,107	-	-	-	36,107
Accrued wages payable	23,116	-	-	-	23,116
Due to other funds	-	-	-	92,089	92,089
Other liabilities	16,037	-	-	-	16,037
Total liabilities	1,268,499	-	-	92,089	1,360,588
Fund Balance					
Reserved for subsequent year expenditures:					
Unreserved	7,367,543	133	-	(92,089)	7,275,587
Total fund balance	7,367,543	133	-	(92,089)	7,275,587
Total liabilities and fund balance	\$ 8,636,042	\$ 133	\$ -	\$ -	\$ 8,636,175

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

**CITY OF D'IBERVILLE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

Total governmental funds balance (Exhibit C)	\$	7,275,587
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Governmental funds report capital outlays 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.</p>		
Governmental capital assets	\$	17,455,842
Less: accumulated depreciation		<u>(5,515,717)</u>
		11,940,125
<p>Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.</p>		
		(9,496,219)
<p>Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.</p>		
		(186,907)
<p>Governmental funds report the effect of issuance costs, discounts, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
		<u>84,933</u>
Net assets of governmental activities (Exhibit A)	\$	<u>9,617,519</u>

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

CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	General	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 1,900,830	\$ -	\$ -	\$ -	\$ 1,900,830
Sales	5,484,802	-	-	-	5,484,802
Franchise	233,447	-	-	-	233,447
Licenses and permits	221,178	-	-	-	221,178
Intergovernmental	13,468,006	-	-	-	13,468,006
Charges for services	351,254	-	-	-	351,254
Fines and forfeits	452,255	-	-	-	452,255
Interest	94,144	133	-	-	94,277
Lease revenue	91,875	-	-	-	91,875
Miscellaneous	281,187	-	-	-	281,187
Total revenues	<u>22,578,978</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>22,579,111</u>
Expenditures					
Current:					
General government	1,569,045	-	-	-	1,569,045
Public safety	1,995,160	-	-	92,089	2,087,249
Public works	13,904,413	-	-	-	13,904,413
Economic development	266,433	-	-	-	266,433
Culture and recreation	465,682	-	-	-	465,682
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	645,695	-	645,695
Interest	-	-	401,592	-	401,592
Bond issue costs	-	-	-	-	-
Total expenditures	<u>18,200,733</u>	<u>-</u>	<u>1,047,287</u>	<u>92,089</u>	<u>19,340,109</u>
Excess (deficiency) of revenues over expenditures	<u>4,378,245</u>	<u>133</u>	<u>(1,047,287)</u>	<u>(92,089)</u>	<u>3,239,002</u>
Other financing sources (uses):					
Transfers in	-	-	1,047,287	-	1,047,287
Transfers out	(1,047,287)	-	-	-	(1,047,287)
Insurance proceeds	511,999	-	-	-	511,999
Loan proceeds	1,755,715	-	-	-	1,755,715
Bond proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>1,220,427</u>	<u>-</u>	<u>1,047,287</u>	<u>-</u>	<u>2,267,714</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>5,598,672</u>	<u>133</u>	<u>-</u>	<u>(92,089)</u>	<u>5,506,716</u>
Fund balance - October 1	<u>1,768,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768,871</u>
Fund balance - September 30	<u>\$ 7,367,543</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ (92,089)</u>	<u>\$ 7,275,587</u>

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

**CITY OF D'IBERVILLE, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Net change in fund balances - total governmental funds (Exhibit D) \$ 5,506,716

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$	855,373	
Depreciation		(633,108)	
Loss on disposal of assets		(184,730)	
Excess of capital outlay over depreciation expense			37,535

Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds			(6,105)
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The issuance of long-term debt provides current financial resources, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.			(1,107,830)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.			411
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Change in net assets of governmental activities (Exhibit B) \$ 4,430,727

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Utility Fund	Waterfront Development Fund	Total
Current Assets			
Cash and cash equivalents	\$ 471,048	\$ 27,863	\$ 498,911
Accounts receivable, net	435,510	2,316	437,826
Grant receivable	-	95,925	95,925
Total unrestricted current assets	<u>906,558</u>	<u>126,104</u>	<u>1,032,662</u>
Current Restricted Assets			
Cash	632,476	-	632,476
Total restricted assets	<u>632,476</u>	<u>-</u>	<u>632,476</u>
Noncurrent Assets			
Land	33,880	287,200	321,080
Buildings	140,470	1,141	141,611
Machinery and equipment	151,358	13,926	165,284
Boat slips and pier	-	1,762,422	1,762,422
Water and Sewer system	17,660,460	-	17,660,460
Construction period interest	119,892	-	119,892
	<u>18,106,060</u>	<u>2,064,689</u>	<u>20,170,749</u>
Less: accumulated depreciation	(6,007,643)	(541,806)	(6,549,449)
Net property, plant and equipment	<u>12,098,417</u>	<u>1,522,883</u>	<u>13,621,300</u>
Noncurrent Other Assets			
Deposits	75	-	75
Bond Issuance costs, net	238,950	-	238,950
Total other assets	<u>239,025</u>	<u>-</u>	<u>239,025</u>
Total assets	13,876,476	1,648,987	15,525,463
Current Liabilities			
Accounts payable	51,387	-	51,387
Retainage payable	-	25,390	25,390
Accrued interest	73,720	-	73,720
Accrued wages	6,015	-	6,015
Sales tax payable	985	-	985
Due to other funds	62,418	94,758	157,176
Bonds payable	220,000	-	220,000
Notes payable	274,957	23,919	298,876
Leases payable	16,831	-	16,831
Customer deposits	225,497	1,605	227,102
Total current liabilities	<u>931,810</u>	<u>145,672</u>	<u>1,077,482</u>
Noncurrent Liabilities			
Bonds payable	5,340,000	-	5,340,000
Notes payable	2,367,024	-	2,367,024
Leases payable	73,586	-	73,586
Total noncurrent liabilities	<u>7,780,610</u>	<u>-</u>	<u>7,780,610</u>
Total liabilities	8,712,420	145,672	8,858,092
Net Assets			
Invested in capital assets, net of related debt	3,896,436	1,498,964	5,395,400
Unrestricted	1,267,620	4,351	1,271,971
Total net assets	<u>\$ 5,164,056</u>	<u>\$ 1,503,315</u>	<u>\$ 6,667,371</u>

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

CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Utility Fund</u>	<u>Waterfront Development Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 2,109,633	\$ -	\$ 2,109,633
Total operating revenues	2,109,633	-	2,109,633
Operating Expenses			
Salaries and related expenses	436,498	-	436,498
Supplies	90,315	1,035	91,350
Repairs and maintenance	169,516	253,902	423,418
Contractual services	675,085	1,678	676,763
Other services and charges	169,421	194	169,615
Depreciation expense	395,215	91,297	486,512
Amortization expense	15,115	-	15,115
Total operating expenses	1,951,165	348,106	2,299,271
Operating Income	158,468	(348,106)	(189,638)
Non-Operating Revenues (Expenses)			
Interest earnings	41,256	1,291	42,547
Grant revenues	-	229,681	229,681
Ad-valorem receipts	17,014	-	17,014
Interest expense	(320,423)	(1,200)	(321,623)
Total non-operating revenue (expenses)	(262,153)	229,772	(32,381)
Change in Net Assets	(103,685)	(118,334)	(222,019)
Net Assets			
Beginning of year	5,267,741	1,621,649	6,889,390
End of year	<u>\$ 5,164,056</u>	<u>\$ 1,503,315</u>	<u>\$ 6,667,371</u>

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

CITY OF D'IBERVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Utility Fund	Waterfront Development Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,077,337	\$ (95,632)	\$ 1,981,705
Payments to employees	(436,774)	-	(436,774)
Payments to suppliers	(84,356)	(1,035)	(85,391)
Payments for contractual services	(639,877)	(1,678)	(641,555)
Payments for other goods and services	(340,893)	(133,948)	(474,841)
Net cash provided by operating activities	<u>575,437</u>	<u>(232,293)</u>	<u>343,144</u>
Cash Flows From Financing Activities			
Debt proceeds	-	-	-
Principal payments on debt	(232,766)	(23,330)	(256,096)
Interest expense	(321,111)	(1,200)	(322,311)
Loan proceeds	348,563	-	348,563
Grant revenue	-	229,681	229,681
Ad-valorem receipts	17,014	-	17,014
Net cash (used) by financing activities	<u>(188,300)</u>	<u>205,151</u>	<u>16,851</u>
Cash Flows From Investing Activities			
Interest received	41,256	1,291	42,547
Acquisition of capital assets	(90,418)	-	(90,418)
Net cash provided by investing activities	<u>(49,162)</u>	<u>1,291</u>	<u>(47,871)</u>
Net increase in cash and cash equivalents	337,975	(25,851)	312,124
Cash and cash equivalents:			
Beginning of year	765,549	53,714	819,263
End of year	<u>\$ 1,103,524</u>	<u>\$ 27,863</u>	<u>\$ 1,131,387</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 158,468	\$ (348,106)	\$ (189,638)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	395,215	91,297	486,512
Amortization expense	15,115	-	15,115
(Increase) decrease in current assets:			
Accounts receivable	(23,862)	(95,632)	(119,494)
Increase in current liabilities:			
Accounts payable	41,167	-	41,167
Retainage payable	-	25,390	25,390
Accrued wages	588	-	588
Sales tax payable	(349)	-	(349)
Due to other funds	(2,471)	94,758	92,287
Customer deposits	(8,434)	-	(8,434)
Net cash provided by operating activities	<u>\$ 575,437</u>	<u>\$ (232,293)</u>	<u>\$ 343,144</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets			
	Current Assets	Current Restricted Assets	Total
Cash and cash equivalents - October 1	\$ 197,938	\$ 621,325	\$ 819,263
Net decrease	<u>(10,319)</u>	<u>(2,887)</u>	<u>(13,206)</u>
Cash and cash equivalents - September 30	<u>\$ 187,619</u>	<u>\$ 618,438</u>	<u>\$ 806,057</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of D'Iberville, Mississippi the (City) was incorporated on February 10, 1988 under the provisions of the State of Mississippi. The City operates under a City-manager plan of government, and is authorized various services under State law.

The City of D'Iberville is a municipal corporation governed by an elected five member council and mayor. Each council member and the mayor serve a four year term.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2006.

II. Financial Reporting Entity

The accompanying financial statements present the City's governmental units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or functional relationships with the City (as distinct from legal relationships).

III. Government-Wide and Fund Financial Statements

(A) Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activities 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 the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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

(A) Basis of Accounting

The City complies with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

General Fund – The general fund is the primary operating fund of the Commission. It accounts for all financial resources of the general government, except those accounted for in other funds.

Capital Projects Fund – The capital projects fund accounts for revenues derived from proceeds from debt issuance for the construction and acquisition of capital assets of the City.

Debt Service Fund – The debt service fund is used to account for the payments of principal and interest on the various debt instruments of the City.

Special Revenue Fund – The special revenue fund is used to account for revenues and expenditures that are designated for a particular purpose of the City where the accounting for such funds is separate and distinct from the general operations of the City.

Proprietary Funds

The City reports the following major proprietary funds:

Utility Fund – The utility fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the residents of the City of D'Iberville on a continuing basis be financed or recovered primarily through user charges.

Waterfront Development Fund – The waterfront development fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing boat slips to the residents of the City of D'Iberville will be financed or recovered primarily through user charges in the form of rental receipts.

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash and Cash Equivalents

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits.

CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Inter-fund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that these funds are not available for appropriation and are not expendable available financial resources. There are no advances between funds at year-end.

(D) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the Utility fund represent the largest principal payment due for the repayment of the 1998 Water and Sewer Revenue Refunding bonds, as required by the debt covenant.

When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

(E) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets other than infrastructure assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (amount not rounded) and an estimated useful life in excess of one year.

Donated capital assets are recorded at estimated fair value at the date of donation. In the fund-level financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Capital Assets

Property, plant, equipment and infrastructure assets of the City are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20 years
Public domain infrastructure	50 years
Utility system infrastructure	10 – 50 years
Machinery and equipment	3 – 15 years
Vehicles	5 years
Office furniture and equipment	5 – 10 years

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund type 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.

The governmental fund financial statements recognize the proceeds of debt and premiums, if any, as other financing sources of the current period. Issuance costs, if any, are reported as expenditures.

(G) Compensated Absences

The City has two types of compensated absences that are described as follows:

- *Vacation* – Full time employees are granted 6 to 24 vacation days per year depending on the employee's length of service.
- *Sick Leave* – Full-time employees are granted 12 sick leave days per year. However, unused sick leave is not reimbursed upon termination.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental fund financial statements, the amount of accumulated vacation leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2006. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

(H) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There were no reservations or designations of fund balance at year-end.

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Net Assets

Net assets represent the difference between assets and liabilities.

Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2: CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents (including restricted deposits) as of September 30, 2006 is as follows:

Fund	Checking and Savings Accounts
Governmental Funds	\$ 4,679,295
Utility Fund	471,048
Waterfront Development Fund	27,863
Total cash and cash equivalents	\$ 5,178,206

Restricted cash and cash equivalents as of September 30, 2006 is as follows:

Governmental Activities

Cash and cash equivalents - restricted for debt payments	\$ 632,476
Total restricted assets	\$ 632,476

Mississippi statutes allow public entities to select depositories on the basis of competitive bid. Depositories must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral 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 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not recovered by the FDIC.

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 3: RECEIVABLES AND REVENUES

(A) Receivables

Receivables at September 30, 2006 consist of the following:

	Governmental Activities	Business - Type Activities		Total Government- Wide
	General Fund	Utility Fund	Waterfront Development Fund	
Receivables:				
Sales tax	\$ 817,346	\$ -	\$ -	\$ 817,346
Franchise tax	96,927	-	-	96,927
Accounts	-	435,510	2,316	437,826
Grants	2,632,603	-	95,925	2,728,528
Insurance	44,083	-	-	44,083
Total receivables	\$ 3,590,959	\$ 435,510	\$ 98,241	\$ 4,124,710

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Utility Accounts Receivable

Utility customer receivables consist of the following at September 30, 2006:

Water and sewer utility charges billed but uncollected	\$ 324,057
Water and sewer utility charges accrued but unbilled at year-end	145,389
Less: Allowance for uncollectible accounts	(33,936)
Utility accounts receivable	\$ 435,510

The City reports receivables at net realizable value. The allowance for doubtful accounts determination is based on historical losses and current economic conditions. Delinquent receivables are analyzed on a continuing basis and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2006 is as follows:

	Due From Other Funds	Due To Other Funds
Major Funds:		
General Fund	\$ 249,265	\$ -
Water and Sewer Fund	-	157,176
Non-major Funds:	-	92,089
Totals	\$ 249,265	\$ 249,265

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2006:

	Transfers to Other Funds	Transfers from Other Funds
Major Funds:		
General Fund	\$ 1,047,287	\$ -
Non-major Funds:	-	1,047,287
Totals	\$ 1,047,287	\$ 1,047,287

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5: CAPITAL ASSETS

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

	Balance October 1, 2005	Additions	Disposals/ Sales/Transfers	Balance September 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,015,986	\$ -	\$ -	\$ 1,015,986
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,015,986</u>	<u>-</u>	<u>-</u>	<u>1,015,986</u>
Capital assets, being depreciated:				
Buildings	1,624,968	221,810	4,089	1,842,689
Machinery and equipment	971,192	247,747	69,709	1,149,230
Other improvements	6,736,387	-	3,950	6,732,437
Infrastructure	5,047,167	-	64,394	4,982,773
Vehicles	1,822,006	385,816	475,095	1,732,727
Total capital assets, being depreciated	<u>16,201,720</u>	<u>855,373</u>	<u>617,237</u>	<u>16,439,856</u>
Less: Accumulated depreciation				
Buildings	252,223	36,936	(1,472)	287,687
Machinery and equipment	390,629	89,977	(13,943)	466,663
Other improvements	955,786	269,297	(1,778)	1,223,305
Infrastructure	2,916,195	45,164	(36,068)	2,925,291
Vehicles	800,283	191,734	(379,246)	612,771
Total accumulated depreciation	<u>5,315,116</u>	<u>633,108</u>	<u>(432,507)</u>	<u>5,515,717</u>
Total capital assets being depreciated, net	<u>10,886,604</u>	<u>222,265</u>	<u>184,730</u>	<u>10,924,139</u>
Governmental activities capital assets, net	<u>\$ 11,902,590</u>	<u>\$ 222,265</u>	<u>\$ 184,730</u>	<u>\$ 11,940,125</u>

CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2005	Additions	Disposals/ Sales/ Transfers	Balance September 30, 2006
Business – Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 321,080	\$ -	\$ -	\$ 321,080
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>321,080</u>	<u>-</u>	<u>-</u>	<u>321,080</u>
Capital assets, being depreciated:				
Buildings	141,611	-	-	141,611
Machinery and equipment	74,866	90,418	-	165,284
Water and sewer system	17,660,460	-	-	17,660,460
Boat slips	1,762,422	-	-	1,762,422
Construction period interest	119,890	-	-	119,890
Total capital assets, being depreciated	<u>19,759,249</u>	<u>90,418</u>	<u>-</u>	<u>19,849,667</u>
Less: Accumulated depreciation				
Buildings	61,551	3,568	-	65,119
Machinery and equipment	59,527	16,201	-	75,728
Water and sewer system	5,449,786	373,050	-	5,822,836
Boat slips	450,509	91,297	-	541,806
Construction period interest	41,561	2,397	-	43,958
Total accumulated depreciation	<u>6,062,934</u>	<u>486,513</u>	<u>-</u>	<u>6,549,447</u>
Total capital assets being depreciated, net	<u>13,696,315</u>	<u>(396,095)</u>	<u>-</u>	<u>13,300,220</u>
Business – Type activities capital assets, net	<u>\$ 14,017,395</u>	<u>\$ (396,095)</u>	<u>\$ -</u>	<u>\$ 13,621,300</u>

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 361,278
Public safety	181,362
Public works	37,285
Culture and recreation	<u>53,183</u>
 Total depreciation expense - governmental activities	 <u>\$ 633,108</u>
 Business-type activities:	
Utility	395,217
Waterfront Development	<u>91,296</u>
 Total depreciation expense - business - type activities	 <u>\$ 486,513</u>

NOTE 6: LONG-TERM DEBT

Tax Increment Financing Bonds

The City issues tax increment financing bonds to encourage economic development of certain areas of the City. The original amount of tax increment financing bonds issued in prior years was \$8,735,000. During the year, no tax increment financing bonds were issued.

The principal and interest on tax increment financing bonds are paid from the increase in sales tax revenue that is generated from the developed area. These bonds are generally issued as 10 or 20-year serial bonds with varying amounts of principal maturing each year. These bonds are reflected in the governmental activities column of the Statement of Net Assets. Tax increment financing bonds currently outstanding are as follows:

	Interest rates	Amount
TIF Bond 1998	4.4-5.7%	\$ 2,210,000
TIF Bond 1999	4.5-6.25%	975,000
TIF Bond 2000	6.40%	724,160
TIF Bond 2004	4.84%	<u>3,060,000</u>
		<u>\$ 6,969,160</u>

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for tax increment financing bonds are as follows:

Year Ending	Principal	Interest	Total
2007	\$ 495,000	\$ 343,783	\$ 838,783
2008	510,000	318,482	828,482
2009	555,000	291,957	846,957
2010	575,000	264,134	839,134
2011	615,000	235,151	850,151
2012-2016	2,740,000	723,701	3,463,701
2017-2020	1,479,160	175,973	1,655,133
	<u>\$ 6,969,160</u>	<u>\$ 2,353,181</u>	<u>\$ 9,322,341</u>

Revenue Bonds

The City also issues bonds where the government pledges the income derived from the water and sewer charges collected to pay the debt service. The amount of revenue bonds issued in prior years totaled \$6,700,000 and were issued to expand and improve existing water and sewer facilities. No new revenue bonds were issued during the year. Revenue bonds outstanding recorded in the Utility Fund at the year end are as follows:

	Interest rate	Amount
1998 Revenue Bond	5.25%	\$ 5,560,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2007	\$ 220,000	\$ 271,173	\$ 491,173
2009	230,000	261,493	491,493
2009	240,000	251,143	491,143
2010	250,000	240,340	490,340
2011	260,000	228,968	488,968
2012-2016	1,515,000	944,193	2,459,193
2017-2021	1,930,000	527,750	2,457,750
2022-2024	915,000	69,250	984,250
	<u>\$ 5,560,000</u>	<u>\$ 2,794,310</u>	<u>\$ 8,354,310</u>

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

Loans Payable

State Revolving Loans

The City is currently participating in the State Revolving Loan Program to provide funds for water and sewer system upgrades and improvements. These loans are granted with a 20 year maturity with equal amounts of principal maturing each year. The interest rates on these loans vary from 0% to 4.5%. These loans are reflected in the Business - type Activities column of the Statement of Net Assets.

Hancock Bank Loan

In January 2005, the City entered into a loan agreement with Hancock Bank for the purchase of a fire truck in the amount of \$515,985. This loan had a ten year maturity and bears interest at 3.89%.

Mississippi Development Bank Loan

The City entered into a loan agreement with the Mississippi Development Bank to provide funds for water and sewer system upgrades and improvements. This loan has a 20 year maturity and an interest rate of 3.00%. This loan is reflected in the Business - type Activities column of the Statement of Net Assets.

Special Community Disaster Loans

The City obtained two loans from the Federal Emergency Management Agency in the amounts of \$1,281,462 and \$348,563 for general government purposes and water and sewer operations, respectively. The purpose of these loans is to allow the City to continue to provide municipal governmental functions to the residents of the City of D'Iberville since the City has suffered a substantial loss in tax and other revenue from Hurricane Katrina. These loans are payable to the federal government over a five year period and may be extended at the discretion of the federal government. Interest on the loans will be accrued on the latest five year Treasury rate as quoted on the Federal Reserve board plus one percent rounding to the nearest 1/8 percent then reduced by 1/2 percent. Payments of principal and interest on these loans may be deferred until the end of the five year period; however, the City has included the principal and interest payments on these loans in the annual debt service requirements for the term of the loans.

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

Annual debt service requirement for the loans are as follows:

Year Ending	Governmental Activities			Business -Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 287,698	\$ 52,991	\$ 340,689	\$ 274,957	\$ 90,608	\$ 365,565
2008	296,000	44,689	340,689	243,851	85,287	329,138
2009	304,547	36,142	340,689	252,862	76,276	329,138
2010	313,346	27,343	340,689	262,225	66,913	329,138
2011	322,405	18,284	340,689	271,959	57,179	329,138
2012-2016	230,254	22,820	253,074	1,052,587	147,423	1,200,010
2017-2021	-	-	-	245,330	16,761	262,091
2022-2025	-	-	-	62,130	2,196	64,326
	<u>\$ 1,754,250</u>	<u>\$ 202,269</u>	<u>\$ 1,956,519</u>	<u>\$ 2,665,901</u>	<u>\$ 542,643</u>	<u>\$ 3,208,544</u>

Capital Lease payable

In 2004, the City entered into a lease agreement with First Continental Leasing to provide funds for the purchase of new police cars. This lease has a five year maturity and an interest rate of 3.02% with equal annual payments beginning September 2005. In 2005, the City entered into two lease agreements with First Continental Leasing for the purchase of a mini- excavator and a backhoe. Both of the new leases have a five year maturity and an interest rate of 3.27% with equal annual payments beginning January 2006. These leases are reflected in the Governmental Activities column of the Statement of Net Assets.

In December 2005, the City obtained financing from Hancock Bank in the amount of \$439,753 for the purchase of sixteen new vehicles and various equipment for general government purposes. The City also financed \$90,417 from Hancock Bank for the purchase of seven new pick up trucks for use in the Water & Sewer department. These loans are reflected in the Governmental Activities column of the Statement of Net Assets.

Annual debt service requirement for these leases are as follows:

Year Ending	Governmental Activities			Business -Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 157,628	\$ 22,841	\$ 180,469	\$ 16,831	\$ 3,246	\$ 20,077
2008	162,632	17,837	180,469	17,435	2,642	20,077
2009	167,807	12,663	180,470	18,061	2,016	20,077
2010	118,561	7,312	125,873	18,709	1,367	20,076
2011	96,562	3,384	99,946	19,381	696	20,077
	<u>\$ 703,190</u>	<u>\$ 64,037</u>	<u>\$ 767,227</u>	<u>\$ 90,417</u>	<u>\$ 9,967</u>	<u>\$ 100,384</u>

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 6: LONG-TERM DEBT (Continued)

Compensated Absences

The City's policies relative to compensated absences and the method of computing accrued liabilities and reporting are discussed in Note 1.

Changes in outstanding debt during the year ended September 30, 2006 are as follows:

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Due within one year
<u>Government type activities</u>					
General obligation bonds	\$ 7,435,000	\$ -	\$ 465,840	\$ 6,969,160	\$ 495,000
Notes payable	581,176	1,238,265	65,191	1,754,250	287,698
Leases payable	300,404	474,253	71,467	703,190	157,628
Compensated absences	93,767	1,160	2,192	92,735	23,116
Total governmental activities	<u>8,410,347</u>	<u>1,713,678</u>	<u>604,690</u>	<u>9,519,335</u>	<u>963,442</u>
	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Due within one year
<u>Business type activities</u>					
Revenue refunding bonds	5,770,000	-	210,000	5,560,000	220,000
Notes payable	2,453,849	448,413	236,362	2,665,900	298,876
Leases payable	-	90,417	-	90,417	16,831
Compensated absences	5,427	588	-	6,015	6,015
Total business - type activities	<u>8,229,276</u>	<u>539,418</u>	<u>446,362</u>	<u>8,322,332</u>	<u>541,722</u>
Total government debt	<u>\$ 16,639,623</u>	<u>\$ 2,253,096</u>	<u>\$ 1,051,052</u>	<u>\$ 17,841,667</u>	<u>\$ 1,505,164</u>

NOTE 7: RETIREMENT PLANS

(A) Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan as described below:

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 7: RETIREMENT PLANS (Continued)

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2006, 2005, and 2004, were \$194,008, \$151,109, and \$134,506, respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

The City, through ING offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribe that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 8: JOINTLY GOVERNED ORGANIZATIONS

On September 30, 1998, the City entered into an agreement with the Harrison County Library Board of Trustees, the City of Gulfport, the City of Biloxi, the City of Pass Christian, and Harrison County to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of D'Iberville has no equity interest in the organization. The Harrison County Library Board approves an operating budget every year which stipulates the amount of funds needed from participating municipalities and various other funding sources. The City of D'Iberville contributed \$35,069 for the year ended September 30, 2006. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year, and therefore, the City of D'Iberville does not have an ongoing financial responsibility.

**CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 9: COMMITMENTS AND CONTINGENCIES

Commitments

(A) Harrison County Inter-local Agreement

On April 11, 2005, the City entered into an inter-local agreement with Harrison County, Mississippi to provide law enforcement services customarily provided to city residents by the city government. These services include regular patrols, animal control, investigative services, and prisoner housing. The City of D'Iberville is responsible for furnishing a clerk and bailiff, vehicles, and other necessary equipment for the department. The cost of this inter-local agreement is \$813,370 annually. As of September 30, 2006, the City has expended \$745,589 on the services provided by Harrison County. The current inter-local agreement will expire December 31, 2006.

(B) Matching Funds – USM Advanced Education Center

In 1997, the City had agreed to participate with the county and other cities in funding the local matching contribution for the construction of the Advanced Education Center at the USM Gulf Park campus. The City's 3.0% portion of the annual debt service for the \$2,000,000 in bonds issued by Harrison County will be approximately \$4,315 annually through September 2016.

Contingencies

(A) Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(B) Grants and Awards

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

NOTE 10: 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; personal injury and natural disasters for which the City carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF D'IBERVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes:				
Property	\$ 1,515,582	\$ 1,854,341	\$ 1,900,830	\$ 46,489
Sales	3,250,000	5,380,000	5,484,802	104,802
Franchise	161,000	223,000	225,025	2,025
Licenses and permits	76,050	205,925	221,178	15,253
Intergovernmental	190,062	12,054,937	10,835,403	(1,219,534)
Charges for services	236,000	385,724	351,254	(34,470)
Fines and forfeits	175,500	425,000	452,255	27,255
Interest	15,000	90,000	94,144	4,144
Lease revenue	72,000	83,000	91,875	8,875
Miscellaneous	4,200	117,073	281,187	164,114
Total revenues	5,695,394	20,819,000	19,937,953	(881,047)
EXPENDITURES				
General government	1,291,988	1,638,246	1,569,045	69,201
Public Safety	2,011,142	2,104,646	1,995,160	109,486
Public Works	906,020	15,297,815	13,200,965	2,096,850
Economic Development	109,944	112,111	266,433	(154,322)
Culture and Recreation	338,813	534,731	465,682	69,049
Total general government	4,657,907	19,687,549	17,497,285	2,190,264
Excess (deficiency) of revenues over expenditures	1,037,487	1,131,451	2,440,668	1,309,217
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	413,861	467,916	54,055
Transfers out	(1,037,249)	(1,038,089)	(1,047,287)	(9,198)
Loan proceeds	-	1,721,214	1,755,715	34,501
Total other financing sources	(1,037,249)	1,096,986	1,176,344	79,358
Excess of revenues and other sources over expenditures	\$ 238	\$ 2,228,437	3,617,012	\$ 1,388,575
Fund balance - October 1 - GAAP basis			1,768,871	
Franchise tax receivable adjustment			8,422	
Grant receivable adjustment			2,632,603	
Insurance receivable adjustment			44,083	
Retainage payable adjustment			(36,107)	
Accounts payable adjustment			(667,341)	
Fund balance - September 30 - GAAP basis			\$ 7,367,543	

CITY OF D'IBERVILLE, MISSISSIPPI
NOTES TO THE BUDGETARY COMPARISON SCHEDULE (NON- GAAP BASIS)
GENERAL FUND
SEPTEMBER 30, 2006

NOTE A: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data in the financial statements are as follows:

1. Prior to August 1, the City Manager submits to the Council members a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. No later than September 15, the budget is legally enacted through passage of a resolution.
3. The General Fund and Special Revenue fund budgets are adopted on a cash basis as required by State statute. Accordingly, actual figures have also been presented on a cash basis. All budgeted amounts presented in the accompanying schedule are as originally adopted or as amended by the Council members.
4. The City Manager is responsible for monitoring the budget and actual results and is authorized to transfer budgeted amounts within funds. However, any revisions that alter the total expenditures must be approved by the Council members.

CITY OF D'IBERVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2006

<u>Grantor Federal Agency/Pass - Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No. / Pass - Through Number</u>	<u>Federal Expenditures</u>
U. S. Department of Justice			
Cops Grant	16.710	2004UMWX0038	\$ 79,036
Sub - total			<u>79,036</u>
Pass - Through State of Mississippi			
Department of Homeland Security			
Homeland Security Grant	97.068	06HS166	22,870
Public Assistance Grants - Mitigation	97.039		18,000
Public Assistance Grants - Hurricane Dennis	97.036		10,157
Public Assistance Grants - Hurricane Katrina	97.036	DR1604	<u>13,496,901</u>
Sub - total			<u>13,547,928</u>
Total Federal Financial Assistance			<u>\$ 13,626,964</u>

NOTES TO SCHEDULE:

1. This schedule was prepared using the same basis of accounting and the same significant policies, as applicable, used for the financial statements.

**CITY OF D'IBERVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006**

Name	Position	Surety	Bond
Rusty Quave	Mayor	Western Surety Co.	\$ 50,000
Brenda Broussard	Councilperson	Western Surety Co.	\$ 50,000
Glenn Ellis	Councilperson	Western Surety Co.	\$ 50,000
Robert Bellman	Councilperson	Western Surety Co.	\$ 50,000
Teddy Harder	Councilperson	Western Surety Co.	\$ 50,000
Henry Toncrey	Councilperson	Western Surety Co.	\$ 50,000
Richard Rose	City Manager	Western Surety Co.	\$ 50,000
Mary Lee Williams	City Clerk	Western Surety Co.	\$ 50,000
Sharron Perkins	Comptroller	Western Surety Co.	\$ 50,000
Lora Lee Garbin	Court Clerk	Western Surety Co.	\$ 50,000
Monica Puzs	Deputy City Clerk	Western Surety Co.	\$ 50,000
Deonne Olier	Deputy City Clerk	Western Surety Co.	\$ 50,000
Sheila Evans	Deputy City Clerk	Western Surety Co.	\$ 50,000
Sheretta Anderson	Deputy City Clerk	Western Surety Co.	\$ 50,000
Marie Bass	Deputy City Clerk	Western Surety Co.	\$ 50,000
Lisa McSwain	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Karen Kennedy	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Donna Parker	Deputy Court Clerk	Western Surety Co.	\$ 50,000

**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**

November 10, 2007

To the Mayor and City Council
City of D'Iberville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of D'Iberville, Mississippi, the (City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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

Mayor and City Council
City of D'Iberville, Mississippi

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as findings 2005-3, and 2006-1.

This report is intended for the information and use of management, City Council, 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.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, Mississippi

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

November 10, 2007

Mayor and City Council
City of D'Iberville, Mississippi

Compliance

We have audited the compliance of the City of D'Iberville, Mississippi, the (City), 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. The City's major federal programs are identified in the summary of auditors' 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 the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City 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. The results of our tests disclosed no instances on noncompliance.

Mayor and City Council
City of D'Iberville, Mississippi

Internal Control Over Compliance

The management of the City 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 our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion in accordance with OMB Circular A-133.

Our 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. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, City council, 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.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, Mississippi

**CITY OF D'IBERVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of Auditors' Report issued on the financial statements | Unqualified |
| 2. | Internal Control Over Financial Reporting:
Material weakness (es) identified? | No |
| | Reportable condition(s) identified not considered being
material weaknesses? | No |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs:
Material weakness (es) identified? | No |
| | Reportable condition(s) identified not considered being
material weaknesses? | None |
| 5. | Type of auditors' report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be
reported in accordance with OMB Circular A-133,
Section .510(a)? | No |
| 7. | Federal Programs identified as major programs:

97.036 Department of Homeland Security – Public
Assistance Grants | |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | \$408,808 |
| 9. | Auditee qualified as low risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal
awards which would require the auditee to prepare a summary schedule
of prior audit findings as discussed in Section .315(b) of
OMB Circular A-133? | No |

**CITY OF D'IBERVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONCOMPLIANCE

2005-3

Municipal Compliance Questionnaire

As part of the City's audit, the governing authorities of the City must make certain assertions with regard to legal compliance in the form of the municipal compliance questionnaire. The questionnaire and related certification must be completed at the end of the City's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting. Through inquiry of City personnel we became aware that the municipal compliance questionnaire was completed for the year ended, however it was not officially recorded on the minutes of the City until much later than the October 2006 board meeting.

We recommend that the City adhere to the requirement for completing and posting the municipal compliance questionnaire on the official minutes of the City at the next regular meeting following the fiscal year end as required by the Mississippi State Code.

Management's Response

The city clerk received this and was prepared to complete the questionnaire in a reasonable period of time. However, with the immense number of daily duties this individual is responsible for, the city clerk discovered that the municipal compliance questionnaire was inadvertently omitted from the October City council agenda. To correct this problem, two additional personnel have been hired to support the city clerk's position.

2006-1

Improper Use of Donated Funds

In October 2005, the City of D'Iberville received a monetary donation from the City of Fort Walton Beach, Florida to be given to the City of D'Iberville employees for the replacement of items that were lost or damaged from Hurricane Katrina. The City placed the money in a separate checking account in the City's name and distributed the money to the employees of the City based on the damage that each employee sustained from Hurricane Katrina. The City is not legally allowed to distribute the money to the employees of the City in a fiduciary capacity without including it as income on the employees W-2 form. The City should have placed the funds into a non profit organization and have the non profit organization distribute the funds.

We realize that the City was only trying to help the employees by giving the money that was intended for them so that the employees could recover from the devastating effects of Hurricane Katrina. However, we recommend that in the future if the City should receive any monetary donation that has donor stipulations, that they inform the donor that the City of D'Iberville can only place the funds in the general fund to be used for general operating purposes. We also recommend that any funds that are remaining from the Hurricane Katrina Disaster Account be transferred to the general fund and the account should be closed.

**CITY OF D'IBERVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Management's Response

Upon acceptance of the donation referenced above, the city, on the advice of the city's municipal auditor, Robert Mosher, deposited these monies in a non-profit account named D'Iberville Public Improvement Corporation at Bancorp South on October 17, 2005. On December 21, 2005, the city received a letter from Walter L. Nixon, Jr., the sitting city attorney, advising 'the city should not have deposited these funds into the bank account of the D'Iberville Public Improvement Corporation and that the funds should be transferred from the corporation's account and deposited in a special bank account established and opened by the City of D'Iberville.' On March 29, 2006, the city withdrew these monies from said account and deposited the funds in a newly opened city account designated the "D'Iberville Disaster Relief Fund" based on the advice in the aforementioned letter. Funds were then distributed by an independent group to employees per the request and wishes of the City of Fort Walton Beach employees who had donated said monies for the purpose of "direct employee assistance to those employees with major losses from the hurricane" as stated in the letter from the City of Fort Walton Beach, Florida. As of today, the account has a balance of \$1,497.06. The city council will at its next meeting transfer these funds to the general fund and close said account.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal awards findings or questioned costs noted.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

November 10, 2007

Mayor and City Council
City of D'Iberville, Mississippi

We have audited the general purpose financial statements of the City of D'Iberville, Mississippi as of and for the year ended September 30, 2005 and have issued our report dated November 10, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P. A.
Biloxi, Mississippi