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CITY OF DREW, MISSISSIPPI
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

**CITY OF DREW, MISSISSIPPI
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FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying combined statement of cash receipts and disbursements for each fund of the City of Drew, Mississippi, for the year ended September 30, 2006, and the accompanying supplementary information contained on Pages 4 through 9, which are presented only for supplementary analysis purposes, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

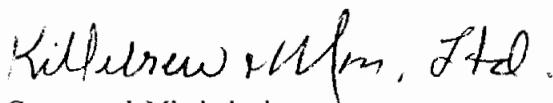
A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying statement of cash receipts and disbursements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

Management has not presented government-wide financial statements to display the cash basis financial position and changes in cash basis financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the City's cash basis of accounting, require the presentation of government-wide financial statements.

The Mayor and Alderpersons have also elected to omit substantially all of the disclosures ordinarily included in a financial statement prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statement, they might influence the user's conclusions about the City's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

Management also has not presented management's discussion and analysis and other required supplemental information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

In accordance with the provisions of Code Section 21-35-31, Miss. Code Ann. (1972), we have issued a report dated July 24, 2007, on the results of our agreed-upon procedures.



Greenwood, Mississippi
July 24, 2007

CITY OF DREW, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUND TYPES
 For the Year Ended September 30, 2006

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Totals
	General Fund	Special Revenue	Enterprise	Enterprise	Expendable Trust	(Memorandum Only)	
CASH RECEIPTS:							
Taxes							
General property taxes	\$ 361,046	\$ -	\$ -	\$ -	\$ -	\$ 361,046	
Road and bridge privilege	15,654	-	-	-	-	15,654	
Licenses and permits							
Utility franchise fees	64,522	-	-	-	-	64,522	
Licenses and permits	3,996	-	-	-	-	3,996	
Intergovernmental receipts							
State grants	1,269	-	-	-	-	1,269	
General municipal aid	27,157	-	-	-	-	27,157	
Homestead exemption	21,586	-	-	-	-	21,586	
Law enforcement grant	14,586	-	-	-	-	14,586	
State litter control	175,702	-	-	-	-	175,702	
State shared receipts	-	12,378	-	-	-	12,378	
Sales tax	-	-	-	-	-	-	6,541
Fire protection	6,541	-	-	-	-	6,541	
Gasoline tax	900	-	-	-	-	900	
ABC license	-	-	-	-	-	-	900
County grants	-	-	-	-	-	-	6,720
Fire allocation	-	6,720	-	-	-	6,720	
Enterprise operating revenue							
Water revenue	-	-	235,869	-	-	235,869	
Sewer revenue	-	-	118,323	-	-	118,323	
Garbage fees	-	-	84,914	-	-	84,914	
Customer deposits	-	-	5,802	-	-	5,802	
Other	-	-	4,232	-	-	4,232	
Other receipts							
Fines and forfeits	54,937	-	-	-	-	54,937	
Rent	3,125	-	-	-	-	3,125	
Interest earnings	5,386	1,214	294	-	13	6,907	
Opening/closing graves	6,550	-	-	-	-	6,550	
Other	9,212	-	-	-	-	9,212	
Sale of garbage bags	3,073	-	-	-	-	3,073	
Sale of cemetery lots	7,300	-	-	-	-	7,300	
Sale of real property	6,500	-	-	-	-	6,500	
Sale of personal property	425	-	-	-	-	425	
Transfers in	-	-	5,787	-	-	5,787	
Total cash receipts	789,467	20,312	455,221	13	1,265,013		

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types		Totals (Memorandum Only)
	General Fund	Special Revenue	Enterprise	Enterprise	Expendable Trust			
CASH DISBURSEMENTS:								
General government	112,171	-	-	-	-	-	-	112,171
Public safety	430,200	-	-	-	-	-	-	430,200
Police	16,513	978	-	-	-	-	-	17,491
Fire								
Public works	135,242	-	-	-	-	-	-	135,242
Street	16,690	-	-	-	-	-	-	16,690
Litter control	47,455	-	-	-	-	-	-	47,455
Cemetery	31,942	-	-	-	-	-	-	31,942
Culture and recreation								
Enterprise								
Water and sewer	-	-	246,209	-	-	-	-	246,209
Garbage	-	-	86,832	-	-	-	-	86,832
Other disbursements								
Capmark principal payments	-	-	28,252	-	-	-	-	28,252
State of MS CAPS principal payments	-	-	23,989	-	-	-	-	23,989
Interest expense	-	-	14,057	-	-	-	-	14,057
Capital outlay	-	33,214	-	-	-	-	-	33,214
Transfers out	5,787	-	-	-	-	-	-	5,787
Total cash disbursements	796,000	34,192	399,339	-	-	-	-	1,229,531
Excess (deficiency) of receipts over (under) disbursements	(6,533)	(13,880)	55,882	13	13	13	13	35,482
CASH - BEGINNING	405,602	101,101	218,141	8,466	8,466	8,466	8,466	733,310
CASH - ENDING	399,069	87,221	274,023	8,479	8,479	8,479	8,479	768,792
UNRESTRICTED CASH	405,602	101,101	98,565	8,466	8,466	8,466	8,466	613,734
Beginning	(6,533)	(13,880)	55,574	13	13	13	13	35,174
Net change	399,069	87,221	154,139	8,479	8,479	8,479	8,479	648,908
TOTAL UNRESTRICTED CASH	399,069	87,221	154,139	8,479	8,479	8,479	8,479	648,908
RESTRICTED CASH	-	-	119,579	-	-	-	-	119,579
Beginning	-	-	305	-	-	-	-	305
Net change	-	-	119,884	-	-	-	-	119,884
TOTAL RESTRICTED CASH	-	-	119,884	-	-	-	-	119,884
TOTAL CASH	399,069	87,221	274,023	8,479	8,479	8,479	8,479	768,792

SUPPLEMENTAL INFORMATION

**CITY OF DREW, MISSISSIPPI
SCHEDULE OF OTHER DEPOSITS
SEPTEMBER 30, 2006**

Fund	Interest Rate	Number	Purchase Date	Maturity Date	Amount
General	4.50	278231378	12/21/2005	1/21/2007	\$ 141,758
General - Sales Tax	4.80	631205	3/19/2006	3/19/2007	197,071
Fire Protection	3.60	60720	7/14/2005	12/14/2006	11,466
Fire Protection	4.50	278278114	1/30/2006	11/10/2007	60,139
Fire Protection	4.10	123080	10/11/2005	10/11/2006	13,820
Water & Sewer Bond & Interest	4.10	123072	10/8/2005	10/8/2006	<u>67,341</u>
					<u>\$ 491,595</u>

See accountants' compilation report

**CITY OF DREW, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006**

Position	Company	Bond #	Expiration	Amount
Mayor	Western Surety	18137750-01	10/15/2006	\$ 380,000
Mayor	St Paul Travelers	104520415	7/1/2009	\$ 50,000
City Clerk	Western Surety	18137750-02	10/15/2006	\$ 380,000
Aldermen	St Paul Travelers	104520416-104520420	7/1/2009	\$ 20,000 each
Public Employee Honesty Blanket Position Bond	Western Surety	68386399	10/1/2006	\$ 50,000

See accountants' compilation report

**CITY OF DREW, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2006**

<u>NOTES PAYABLE</u>	Balance Outstanding 10/1/2005	Transactions During Fiscal Year		Balance Outstanding 9/30/2006
		Issued	Redeemed	
Mississippi Department of Economic & Community Development Capital Improvement Loan	\$ 56,009	\$ -	\$ 26,094	\$ 29,915
 <u>REVENUE BONDS</u>				
Water Revenue Bonds Payable	295,888	-	28,252	267,636
	<u>\$ 351,897</u>	<u>\$ -</u>	<u>\$ 54,346</u>	<u>\$ 297,551</u>

**CITY OF DREW, MISSISSIPPI
SOLID WASTE MANAGEMENT SERVICES SCHEDULE
FULL COST ACCOUNTING
SUMMARY OF COSTS REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006**

Operating Costs (Direct Costs):

Contractural Services	<u>86,832</u>
Total of All Costs	<u><u>\$ 86,832</u></u>

Total Cost Per User Per Year	<u><u>\$ 120</u></u>
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**CITY OF DREW, MISSISSIPPI
CAPMARK FINANCE, INC.
SUPPLEMENTAL LETTER
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

1. This compilation was prepared using standards established by the American Institute of Certified Public Accountants and the State of Mississippi - Department of Audit.
2. The accounting records are adequate.
3. Internal control was adequate over Capmark funds.
4. The physical control over assets was adequate.
5. The City of Drew, Mississippi, is in financial compliance with the loan agreement including the maintenance of cash reserves.
6. The financial report included in the compilation is in agreement with the accounting records of the City.
7. All money is kept in institutions insured by the federal government.
8. Insurance coverage appears to be adequate.
9. The City of Drew, Mississippi, is exempt from state and federal income tax.
10. Accounts receivable as of September 30, 2006 are aged as follows:

Current	\$38,384
30 Days	8,253
Over 60 Days	2,443
Total	\$49,080

11. Long-Term Debt:

Financing by Capmark Finance, Inc., consists of 5% revenue bonds payable dated April 28, 1982. The \$650,000 issue is to be repaid in monthly installments of principal and interest of \$3,525.73 through April 28, 2017.

Financing by the Mississippi Department of Economic and Community Development consists of 3.7% notes payable dated June 28, 1996. The \$246,078 note is to be repaid in monthly installments of principal and interest of \$2,239. The note will be paid off November 2007.

**CITY OF DREW, MISSISSIPPI
CAPMARK FINANCE, INC.
SUPPLEMENTAL LETTER
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

12. Insurance Coverage:

<u>COMPANY</u>	<u>TYPE OF POLICY</u>	<u>COVERAGE</u>
MS Municipal Liability Plan	Combined Plan Coverage	\$500,000
Arch Insurance Company	84 Case tractor & extendahoe	\$47,400
National Liability & Fire Insurance	Fire Truck-Physical Damage	\$149,000
Hartford Insurance Company	Boiler & Machinery-Physical Damage	\$300,000
	Boiler & Machinery-Property Damage	\$250,000
Lexington Insurance Company	Buildings, Water Tanks & Personal Property	Various

13. Board of Aldermen and Public Officials:

<u>NAME</u>	<u>POSITION</u>	<u>TERM ENDS</u>
Jeffery Kilpatrick	Mayor	2009
Harvey Burchfield	Alderman	2009
Ralph Tidmore	Alderman	2009
Gail Riddick	Alderwoman	2009
Sedrick Mitchell	Alderman	2009
Lacy Wilson	Alderman	2009
Bettie Dickey	City Clerk	Appointed

CITY OF DREW, MISSISSIPPI
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES
SEPTEMBER 30, 2006

AUG 1 2007
STATE AUDITOR'S OFFICE

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

The Mayor and Board of Aldermen
City of Drew
Drew, Mississippi

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor, to the accounting records of the City of Drew, Mississippi, solely to assist the Office of the State Auditor in evaluating the City of Drew, Mississippi's compliance with certain laws and regulations as of September 30, 2006, and for the year then ended. This agreed-upon-procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor, State of Mississippi. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Regions	General	\$ 60,040
Regions	General	141,758
Delta Southern	General	197,071
	Total General Fund	\$ 398,869
Regions	Fire Protection	\$ 1,796
Regions	Fire Protection	25,286
Delta Southern	Fire Protection	60,139
	Total Special Revenue Fund	\$ 87,221
Regions	Water & Sewer	\$ 154,139
Regions	Water & Sewer	12,469
Regions	Water & Sewer	12,468
Regions	Water & Sewer	1,787
Regions	Water & Sewer	25,819
Delta Southern	Water & Sewer	67,341
	Total Proprietary Fund	\$ 274,023

	<u>Bank</u>	<u>Fund</u>	<u>Balance per General</u>	
			<u>Ledger</u>	
Regions		General Fund Unemployment	\$	2,747
Regions		General Fund Unemployment		1,502
Regions		Water Fund Unemployment		3,013
Regions		Water Fund Unemployment		1,217
Total Expendable Trust Funds			\$	<u>8,479</u>

2. We physically examined securities held for investment. Securities held in trust were confirmed directly with respective trustees. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972).
 - a. No investments at September 30, 2006.

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the tax year:
 - a. Verified use of certified county assessment rolls and traced levies to governing body minutes;
 - b. Examined uncollected taxes for proper handling, including tax sales;
 - c. Traced distribution of taxes collected to proper funds; and
 - d. Analyzed increase in taxes for most recent period for compliance with increase limitations of Sections 27-39-320 to 27-39-323, Miss Code Ann. (1972).

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

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

There were no ad valorem tax collections for the retirement of General Obligation Debt.

4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposits in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Fire protection allocation	Fire Protection	\$ 12,378
General municipal aid	General	1,269
Gasoline tax	General	6,541
Homestead exemption reimbursement	General	27,157
Law enforcement grant	General	3,410
Emergency management	General	6,250
Nuclear plant	General	13,236
Sales tax allocation	General	175,702
Liquor privilege tax	General	900
Escrow of veterans taxes	General	470
Liter control grant	General	14,586
Total State Revenues		\$ 261,899

5. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of sample items	40
Dollar value of sample	\$23,448

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements. However, we noted the following during our review of the Municipal Compliance Questionnaire:
- a. Although the City is able to identify and account for its fixed assets, all of the fixed assets are not properly tagged as required by MS Code Section 7-7-211. The prior year report contained a similar finding.
 - b. The City did not comply with the legal publication requirements when three department's budgets increased by more than 10% as required by MS Code Section 21-35-25.
 - c. Expenditures exceeded the budget in six functional categories. The prior year report included a similar finding. MS Code Section 21-35-17 requires that budget estimates not be exceeded and MS Code Section 21-35-25 provides for amending the budget.
 - d. The December minutes were not signed. MS Code Section 21-15-33 requires that minutes of board meetings be signed by the mayor or a majority of the board within 30 days of the meeting.

The Mayor, City Clerk and Board of Aldermen will make efforts to correct the findings noted above in future years.

The Mayor and Board of Aldermen
Page 4
July 24, 2007

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's compliance with laws and regulations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Office of State Auditor, State of Mississippi, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Kilbrew & Upson, Ltd.
July 24, 2007