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**CITY OF LELAND, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**RECEIVED**  
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CITY OF LELAND, MISSISSIPPI  
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September 30, 2006

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

The Honorable Mayor Barbara Brooks  
and Honorable Members of the Board of Alderman  
City of Leland, Mississippi

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leland, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City of Leland, Mississippi's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leland, Mississippi'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 *Governmental 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leland, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows and budgetary comparison for the General Fund and Major Special Revenue Funds, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2007, on our consideration of the City of Leland, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City of Leland, Mississippi has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, basic financial statements *and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2006.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Leland, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular a-133, Audits of State , Local Governments, and Non-profits Organizations, and is also not a required part of the basic financial statements of the City of Leland, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all materials respects in relations to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Banks Finley, White & Co.*  
May 25, 2007

CITY OF LELAND, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2006

This section of the City of Leland, Mississippi's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2006. Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the City's financial position and results of operations.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the City's financial position and results of operation from differing perspectives which are described as follows:

GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The City reports all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- ◆ **Governmental Activities** - Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- ◆ **Business - Type Activities** - Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- ◆ **Governmental Funds** - These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

CITY OF LELAND, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2006

- ◆ **Proprietary Fund** - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, the following table present only current year data. In future years, comparative analysis of government-wide data will be presented.

**NET ASSETS**

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>Assets:</u></b>						
Current and other assets	\$ 1,032,507	\$ 871,819	\$ 1,383,369	\$ 1,300,733	\$ 2,415,876	\$ 2,172,552
Capital assets	804,741	960,349	1,433,113	717,479	2,237,854	1,677,828
<b>Total Assets</b>	<b>\$ 1,837,248</b>	<b>\$ 1,832,168</b>	<b>\$ 2,816,482</b>	<b>\$ 2,018,212</b>	<b>\$ 4,653,730</b>	<b>\$ 3,850,380</b>
<b><u>Liabilities:</u></b>						
Current and other liabilities	\$ 513,927	\$ 750,920	520,557	494,773	\$ 1,034,484	\$ 1,245,693
Long-term liabilities	769,929	41,372	1,324	2,109	771,253	43,481
<b>Total Liabilities</b>	<b>\$ 1,283,856</b>	<b>\$ 792,292</b>	<b>\$ 521,881</b>	<b>\$ 496,882</b>	<b>\$ 1,805,737</b>	<b>\$ 1,289,174</b>
<b><u>Net Assets:</u></b>						
Invested in capital assets (net)	\$ 774,943	\$ 705,520	1,433,113	717,479	\$ 2,208,056	\$ 1,422,999
Restricted	368,516	363,942	-	-	368,516	363,942
Unrestricted	(590,067)	(29,586)	861,488	803,851	271,421	774,265
<b>Total Net Assets</b>	<b>\$ 553,392</b>	<b>\$ 1,039,876</b>	<b>\$ 2,294,601</b>	<b>\$ 1,521,330</b>	<b>\$ 2,847,993</b>	<b>\$ 2,561,206</b>

As the presentation appearing above demonstrates, the largest portion of the City's net assets (77.60%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired after September 30, 2006 less any debt used to acquire assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

CITY OF LELAND, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2006

An additional portion of the net assets (1.00%) represent resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net assets (21.40%) may be used to meet the City's ongoing obligations to citizens and creditors.

**CHANGES IN NET ASSETS**

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 577,241	\$ 480,351	\$ 4,139,673	\$ 3,789,747	\$ 4,366,988	\$ 4,270,098
Operating grants and contributions	166,743	259,300	-	-	166,743	259,300
Capital grants and contributions	21,020	309,400	-	-	21,020	309,400
<b>General Revenue:</b>						
Property taxes	723,821	675,815	-	-	723,821	675,815
Sales taxes	411,816	389,405	-	-	411,816	389,405
Franchise taxes	49,052	36,182	-	-	49,052	36,182
Licenses and permits	13,140	17,929	-	-	13,140	17,929
Interest earnings	13,328	7,130	4,925	1,743	15,071	8,873
Fines and forfeits	128,551	137,145	-	-	128,551	137,145
Grants and contributions not restricted	18,032	35,139	-	-	18,032	35,139
Other	61,924	25,801	5,009	4,958	66,882	30,759
<b>Total Revenue</b>	<b><u>2,184,668</u></b>	<b><u>2,373,597</u></b>	<b><u>4,149,607</u></b>	<b><u>3,796,448</u></b>	<b><u>5,981,116</u></b>	<b><u>6,170,045</u></b>
<b>Program Expenses:</b>						
<b>General Government</b>						
Finance & administrative	1,432,483	828,724	-	-	1,432,483	828,724
Public safety	1,333,299	1,284,150	-	-	1,333,299	1,284,150
Public works	451,535	779,352	-	-	451,535	779,352
Economic development	-	89,006	-	-	-	89,006
Parks and recreation	61,693	68,184	-	-	61,693	68,184
Sanitation	439,817	466,252	-	-	439,817	466,252
Interest on long-term debt	11,610	11,847	-	-	11,610	11,847
Electricity	-	-	2,822,799	2,353,031	2,353,031	2,353,031
Water/sewer	-	-	271,774	341,724	341,724	341,724
<b>Total Expenses</b>	<b><u>\$ 3,730,437</u></b>	<b><u>\$ 3,527,515</u></b>	<b><u>\$ 3,094,573</u></b>	<b><u>\$ 2,694,755</u></b>	<b><u>\$ 6,425,192</u></b>	<b><u>\$ 6,222,270</u></b>

CITY OF LELAND, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Increase (decrease) in Net Assets Before Transfers and Special Items	\$ (1,545,769) <u>1,102,594</u>	\$ (1,153,918) <u>1,266,114</u>	1,055,034 <u>(1,102,594)</u>	1,101,693 <u>(1,266,114)</u>	\$ (444,076) <u>(163,520)</u>	\$ (52,225) <u>-</u>
Change in Net Assets	(443,175)	112,196	(47,560)	(164,421)	(607,596)	(52,225)
Prior period adjustment	(43,309)	(43,309)	-	(53,531)	(96,840)	(96,840)
Net Assets Beginning	<u>1,039,876</u>	<u>1,039,876</u>	<u>1,521,330</u>	<u>1,521,330</u>	<u>2,561,206</u>	<u>2,561,206</u>
Net Assets Ending	\$ <u>553,392</u>	\$ <u>1,108,763</u>	<u>1,473,770</u>	<u>1,303,378</u>	\$ <u>1,856,770</u>	\$ <u>2,412,141</u>

Governmental activities decreased the City's net assets by \$(443,175).

Business-type activities operated with a net operating loss of \$(47,560).

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported combined fund balances of \$560,504, which represents an increase of \$198,836 in comparison to the previous balance. In addition, the City's general fund, which is available for spending at the City's discretion, reported a fund balance of \$(283,715).

Amounts reported for business-type activities in the City's individual funds are identical to the business-type activities reported in the government-wide presentation.

**GENERAL FUND BUDGET HIGHLIGHTS**

The City's general fund is required to adopt a budget. The budget is amended as necessary and appropriations increased as a result of the rising cost described in the proceeding section.

CITY OF LELAND, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2006

**CAPITAL ASSET ADMINISTRATION**

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

The City acquired additional capital assets during the year as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u> <u>2005</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<u>Additions:</u>					
Non-Depreciable Assets:					
Construction in progress	\$ -	\$ -	\$ 743,495	\$ -	\$ 743,495
Depreciable Assets:					
Machinery and equipment	-	12,229	-	(53,532)	(41,303)
Police vehicles	-	87,000	-	-	87,000
Total Additions	-	99,229	743,495	(53,532)	45,697
Depreciation	(142,646)	(171,849)	(39,109)	(48,302)	(220,151)
Net Increase (Decrease)	(142,646)	(72,620)	704,386	(101,834)	(174,454)
Beginning Capital Asset (Net)	574,557	647,177	717,479	819,313	1,466,490
Ending Capital Assets (Net)	\$ <u>431,911</u>	\$ <u>574,557</u>	\$ <u>1,421,865</u>	\$ <u>717,479</u>	\$ <u>1,292,036</u>

Highlights of the City's capital asset administration are provided as follows:

- ◆ Utility system improvements were limited to replacing worn out and obsolete components of the City's utility system. These improvements were made possible by using loan proceeds from a loan obtained from the Mississippi Department of Environmental Quality.

**DEBT ADMINISTRATION**

The City entered into two (2) loans during the year as follows.

The City enter into a loan agreement with the Mississippi Department of Environmental Quality in order to make improvements to its sewer system. The outstanding loan amount at September 30, 2006 was \$1,106,175

New debt was limited to executing a bank note in the amount of \$20,000 to renovate and make repairs to the hospital for which the City is leasing.

CITY OF LELAND, MISSISSIPPI  
Statement of Net Assets  
For the Year Ended September 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 336,207	-	\$ 336,207
Certificate of deposits	568,640	427,190	995,830
Accounts receivable, net	-	498,523	498,523
Intergovernmental receivables	75,873	-	75,873
Inventories	-	120,237	120,237
Due from other funds	51,787	337,419	389,206
Capital Assets:			
Land	132,702	-	132,702
Buildings	360,704	-	360,704
Automotive and equipment	311,335	-	311,335
Infrastructure	-	678,371	678,371
Construction in progress	-	754,742	754,742
<b>TOTAL ASSETS</b>	<b>\$ 1,837,248</b>	<b>2,816,482</b>	<b>\$ 4,653,730</b>
<b>LIABILITIES</b>			
Accounts payable, general	\$ 158,069	284,362	\$ 442,431
Customer's deposits	-	155,421	155,421
Due to other funds	313,934	75,272	389,206
Noncurrent liabilities:			
Due within one year	41,924	5,502	47,426
Due in more than one year	769,929	1,324	771,253
<b>Total Liabilities</b>	<b>1,283,856</b>	<b>521,881</b>	<b>1,805,737</b>
<b>Net ASSETS:</b>			
Investment in capital assets, net of related debt	774,943	1,433,113	2,208,056
Restricted for:			
Debt service	33,852	-	33,852
Other purposes	334,664	-	334,664
Unreserved undesignated	(590,067)	861,488	271,421
<b>Total Net Assets</b>	<b>553,392</b>	<b>2,294,601</b>	<b>2,847,993</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,837,248</b>	<b>2,816,482</b>	<b>\$ 4,653,730</b>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2006

	Program Revenues			Net (Expenses) Revenues Changes in Net Assets		Business- Type Activities	Total
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,432,483	2,524	35,387	-	(1,394,572)	-	\$ (1,394,572)
Public safety	1,333,299	-	131,356	-	(1,201,943)	-	(1,201,943)
Public works	451,535	-	-	21,020	(430,515)	-	(430,515)
Parks and recreation	61,693	-	-	-	(61,693)	-	(61,693)
Sanitation	439,817	574,717	-	-	134,900	-	134,900
Interest on long-term debt	11,610	-	-	-	(11,610)	-	(11,610)
Total governmental activities	<u>3,730,437</u>	<u>577,241</u>	<u>166,743</u>	<u>21,020</u>	<u>(2,965,433)</u>	<u>-</u>	<u>(2,965,433)</u>
Business-type activities:							
Water/Sewer	271,774	439,180	-	-	-	167,406	167,406
Electricity	2,822,799	3,700,493	-	-	-	877,694	877,694
Total Business-type activities	<u>3,094,573</u>	<u>4,139,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,045,100</u>	<u>1,045,100</u>
<b>Total Primary Government</b>	<u>\$ 6,825,010</u>	<u>4,716,914</u>	<u>166,743</u>	<u>21,020</u>	<u>(2,965,433)</u>	<u>1,045,100</u>	<u>\$ (1,920,333)</u>
<b>General Revenues:</b>							
Property taxes				\$ 723,821		-	\$ 723,821
Sales taxes				411,816		-	411,816
Franchise taxes				49,052		-	49,052
Fines and report fees				128,551		-	128,551
License and permits				13,140		-	13,140
Miscellaneous				61,924		5,009	66,933
Grants and contributions not restricted to specific programs				18,032		820,831	838,863
Unrestricted investment earnings				13,328		4,925	18,253
Transfers in (out)				<u>1,102,594</u>		<u>(1,102,594)</u>	<u>-</u>
Total general revenues, special items, and transfers				<u>2,522,258</u>		<u>(271,829)</u>	<u>2,250,429</u>
Change in net assets				(443,175)		773,271	330,096
Net Assets - Beginning				1,039,876		1,521,330	2,561,206
Prior period adjustments				(43,309)		-	(43,309)
Net Assets - Ending				<u>\$ 553,392</u>		<u>2,294,601</u>	<u>\$ 2,847,993</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Balance Sheet  
Governmental Funds  
For the year Ended September 30, 2006

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Fire Protection Fund</u>	<u>Library Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 21,205	-	106,864	5,420	202,718	\$ 336,207
Certificate of deposits	96,359	-	143,037	329,244	-	568,640
Intergovernmental receivable	72,269	801	-	-	2,803	75,873
Due from other funds	<u>300</u>	<u>75,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,572</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 190,133</u></b>	<b><u>76,073</u></b>	<b><u>249,901</u></b>	<b><u>334,664</u></b>	<b><u>205,521</u></b>	<b><u>\$ 1,056,292</u></b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities:</b>						
Accounts payable, general	\$ 136,429	21,640	-	-	-	\$ 158,069
Due to other funds	<u>337,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>337,719</u>
<b>Total Liabilities</b>	<b><u>473,848</u></b>	<b><u>21,640</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>300</u></b>	<b><u>495,788</u></b>
<b>Fund Balance</b>						
<b>Unreserved, reported in</b>						
General fund	(283,715)	-	-	-	-	(283,715)
Special revenue fund	-	54,433	249,901	-	80,118	384,452
Nonexpendable trust	-	-	-	334,664	-	334,664
Debt service	-	-	-	-	33,852	33,852
Capital project	-	-	-	-	<u>91,251</u>	<u>91,251</u>
<b>Total Fund Equity</b>	<b><u>(283,715)</u></b>	<b><u>54,433</u></b>	<b><u>249,901</u></b>	<b><u>334,664</u></b>	<b><u>205,221</u></b>	<b><u>560,504</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 190,133</u></b>	<b><u>76,073</u></b>	<b><u>249,901</u></b>	<b><u>334,664</u></b>	<b><u>205,521</u></b>	<b><u>\$ 1,056,292</u></b>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
 to Net Assets of Governmental Activities on  
 the Statement of Net Assets  
 For the Year Ended September 30, 2006

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

Total Fund Balances - Governmental Funds	\$	560,504
Reclassification of principal payment on long term debt reported as an expenditure in the statement of activities		262,733
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		542,007
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		<u>(811,852)</u>
Net assets of governmental activities	\$	<u><u>553,392</u></u>

The Accompanying Notes are an intergral part of these Financial Statements.

**CITY OF LELAND, MISSISSIPPI**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2006**

	General Fund	Sanitation Fund	Fire Protection Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
General property taxes	\$ 420,855	66,764	-	-	233,643	\$ 721,262
Privilege licenses and permits	13,140	-	-	-	-	13,140
Intergovernmental revenues	569,278	1,263	37,980	-	4,090	612,611
Franchise taxes	49,052	-	-	-	-	49,052
Charges for services	2,524	441,249	-	-	136,029	579,802
Fines and report fees	127,145	-	-	-	1,406	128,551
Interest income	3,434	-	1,873	8,015	6	13,328
Miscellaneous	31,416	-	-	-	9,678	41,094
<b>Total Revenues</b>	<u>1,216,844</u>	<u>509,276</u>	<u>39,853</u>	<u>8,015</u>	<u>384,852</u>	<u>2,158,840</u>
<b>EXPENDITURES:</b>						
General government	705,698	-	-	3,441	22,286	731,425
Public safety	1,244,363	-	11,149	-	4,534	1,260,046
Parks and recreation	46,536	-	-	-	-	46,536
Public works	367,343	-	-	-	-	367,343
Economic Development	-	-	-	-	-	-
Sanitation	680	434,916	-	-	-	435,596
Debt services:						
Principal	41,594	-	-	-	202,640	244,234
Interest and service charges	928	-	-	-	-	928
Capital outlay:						
General government	1,769	-	-	-	738,163	739,932
Public safety	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>2,408,911</u>	<u>434,916</u>	<u>11,149</u>	<u>3,441</u>	<u>967,623</u>	<u>3,826,040</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,192,067)</u>	<u>74,360</u>	<u>28,704</u>	<u>4,574</u>	<u>(582,771)</u>	<u>(1,667,200)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of fixed assets	-	-	7,944	-	-	7,944
Proceeds from capital lease	-	-	-	-	755,498	755,498
Operating transfers in	1,248,067	-	-	-	38,276	1,286,343
Operating transfers out	(39,440)	(32,072)	-	-	(112,237)	(183,749)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,208,627</u>	<u>(32,072)</u>	<u>7,944</u>	<u>-</u>	<u>681,537</u>	<u>1,866,036</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	16,560	42,288	36,648	4,574	98,766	198,836
<b>FUND BALANCE, OCT. 1</b>	<u>(300,275)</u>	<u>12,145</u>	<u>213,253</u>	<u>330,090</u>	<u>106,455</u>	<u>361,668</u>
<b>FUND BALANCE, SEPT. 30</b>	<u>\$ (283,715)</u>	<u>54,433</u>	<u>249,901</u>	<u>334,664</u>	<u>205,221</u>	<u>\$ 560,504</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
 Reconciliation of the Statement of Revenue  
 Expenditures, and Changes in Net Assets Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended September 30, 2006

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

Net change in net asset balances - total governmental funds	\$	198,836
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(142,646)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		755,498
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of insurance cost premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect on these differences in the treatment of long-term debt and related items.		(755,498)
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.		<u>(499,365)</u>
Change in net assets of governmental activities	\$	<u>(443,175)</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
General Fund

Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (negative)
<b>REVENUES:</b>				
Property taxes	\$ 532,455	532,455	420,855	\$ (111,600)
Privilege licenses and permits	27,000	45,600	13,140	(32,460)
Intergovernmental revenues	483,575	512,466	569,278	56,812
Franchise taxes	27,000	27,000	49,052	22,052
Charges for services	2,000	2,000	2,524	524
Fines and report fees	140,000	140,000	127,145	(12,855)
Interest	-	-	3,434	3,434
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>31,416</u>	<u>19,416</u>
<b>TOTAL REVENUES</b>	<u>1,224,030</u>	<u>1,271,521</u>	<u>1,216,844</u>	<u>(54,677)</u>
<b>OPERATING DISBURSEMENTS:</b>				
General Government				
Administration	691,915	694,798	705,698	(10,900)
Public Safety				
Police protection	1,028,903	1,118,906	1,118,747	159
Fire protection	123,975	130,800	125,616	5,184
Public Works				
Street improvements	401,504	456,853	367,343	89,510
Sanitation	-	-	680	(680)
Parks & recreation	52,846	52,846	46,536	6,310
Capital expenditures	40,952	52,975	1,769	51,206
Debt service	<u>197,455</u>	<u>197,455</u>	<u>42,522</u>	<u>154,933</u>
<b>Total Expenditures</b>	<u>2,537,550</u>	<u>2,704,633</u>	<u>2,408,911</u>	<u>295,722</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,313,520)</u>	<u>(1,433,112)</u>	<u>(1,192,067)</u>	<u>241,045</u>
Other Financing Sources:				
Operating transfers in	1,314,437	1,314,437	1,248,067	(66,370)
Proceeds from capital leases	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(39,440)</u>	<u>(39,440)</u>
<b>Total Other Financing Sources</b>	<u>1,314,437</u>	<u>1,314,437</u>	<u>1,208,627</u>	<u>(105,810)</u>
Excess of Revenues & Other				
Sources Over (Under)				
Expenditures and Other Uses	917	(118,675)	16,560	135,235
Fund Balance at beginning of year	<u>1,750</u>	<u>120,650</u>	<u>(300,275)</u>	<u>420,925</u>
Fund Balance at end of year	<u>\$ 2,667</u>	<u>1,975</u>	<u>(283,715)</u>	<u>\$ 556,160</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Sanitation Fund  
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 26,500	26,500	66,764	\$ 40,264
Intergovernmental revenues	-	-	1,263	1,263
Charges for services	466,500	466,500	441,249	(25,251)
Miscellaneous	<u>52,000</u>	<u>52,000</u>	<u>-</u>	<u>(52,000)</u>
TOTAL REVENUES	<u>545,000</u>	<u>545,000</u>	<u>509,276</u>	<u>(35,724)</u>
OPERATING DISBURSEMENTS:				
Sanitation	517,475	518,475	434,916	83,559
Capital Expenditures	<u>28,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total Expenditures	<u>545,475</u>	<u>530,475</u>	<u>434,916</u>	<u>95,559</u>
Excess of Revenues Over (Under) Expenditures	<u>(475)</u>	<u>14,525</u>	<u>74,360</u>	<u>59,835</u>
Other Financing Sources:				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(32,072)</u>	<u>(32,072)</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(32,072)</u>	<u>(32,072)</u>
Excess of Revenues & Other Sources Over (Under) Expenditures and Other Uses	<u>(475)</u>	<u>14,525</u>	<u>42,288</u>	<u>27,763</u>
Fund Balance at beginning of year	<u>500</u>	<u>-</u>	<u>12,145</u>	<u>(12,145)</u>
Fund Balance at end of year	<u>\$ 25</u>	<u>14,525</u>	<u>54,433</u>	<u>\$ 15,618</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
 Fire Protection Fund  
 Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (negative)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 29,000	29,000	37,980	\$ 8,980
Interest	-	-	1,873	1,873
Miscellaneous	<u>800</u>	<u>800</u>	-	<u>(800)</u>
<b>TOTAL REVENUES</b>	<u>29,800</u>	<u>29,800</u>	<u>39,853</u>	<u>10,053</u>
<b>OPERATING DISBURSEMENTS:</b>				
<b>Public Safety</b>				
Fire protection	-	-	11,149	(11,149)
Capital Expenditures	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>2,900</u>
<b>Total Expenditures</b>	<u>-</u>	<u>2,900</u>	<u>11,149</u>	<u>(8,249)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>29,800</u>	<u>26,900</u>	<u>28,704</u>	<u>1,804</u>
<b>Other Financing Sources:</b>				
Sale of real property/equipment	-	-	7,944	7,944
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>7,944</u>	<u>7,944</u>
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures and Other Uses</b>	<u>29,800</u>	<u>26,900</u>	<u>36,648</u>	<u>9,748</u>
Fund Balance at beginning of year	<u>200,000</u>	<u>200,000</u>	<u>213,253</u>	<u>(13,253)</u>
<b>Fund Balance at end of year</b>	<u>\$ 229,800</u>	<u>226,900</u>	<u>249,901</u>	<u>\$ (3,505)</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
 Library Fund  
 Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (negative)
REVENUES:				
Interest	-	-	8,015	8,015
TOTAL REVENUES	-	-	8,015	8,015
OPERATING DISBURSEMENTS:				
General government	-	-	3,441	(3,441)
Total Expenditures	-	-	3,441	(3,441)
Excess of Revenues Over (Under) Expenditures	-	-	4,574	4,574
Excess of Revenues & Other Sources Over (Under)	-	-	4,574	4,574
Expenditures and Other Uses	-	-	330,090	(330,090)
Fund Balance at beginning of year	-	-	334,664	\$ (325,516)
Fund Balance at end of year	-	-	334,664	\$ (325,516)

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Statement of Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2006

	<u>Business Type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Water/Sewer Fund</u>	<u>Electrical Fund</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ -	-	\$ -
Certificates of deposit	-	427,190	427,190
Accounts receivable, net of allowances	-	498,523	498,523
Inventories	9,579	110,658	120,237
Due from other funds	<u>360,491</u>	<u>(23,072)</u>	<u>337,419</u>
<b>Total Current Assets</b>	<u>370,070</u>	<u>1,013,299</u>	<u>1,383,369</u>
<b>Property, plant and equipment, at cost</b>			
Buildings	98,116	98,116	196,232
Water plant, distribution system and equipment	1,492,182	187,534	1,679,716
Automotive and other equipment	<u>160,239</u>	<u>175,782</u>	<u>336,021</u>
	1,750,537	461,432	2,211,969
Less: accumulated depreciation	<u>(1,076,641)</u>	<u>(456,957)</u>	<u>(1,533,598)</u>
	673,896	4,475	678,371
Construction in progress	<u>754,742</u>	-	<u>754,742</u>
Net property, plant and equipment	<u>1,428,638</u>	<u>4,475</u>	<u>1,433,113</u>
<b>Total Assets</b>	<u>\$ 1,798,708</u>	<u>1,017,774</u>	<u>\$ 2,816,482</u>
<b>Liabilities and Net Assets</b>			
Accounts payable	\$ 6,138	278,224	\$ 284,362
Due to other funds	-	75,272	75,272
Current portion of long term debt:			
Compensated absences	<u>1,772</u>	<u>3,730</u>	<u>5,502</u>
Total current liabilities	<u>7,910</u>	<u>357,226</u>	<u>365,136</u>
Current liabilities payable from restricted Assets:			
Customer deposits	-	155,421	155,421
Total current liabilities payable from restricted assets	-	155,421	155,421
Long-Term Debt (less amounts classified as current)			
Compensated absences	<u>1,324</u>	-	<u>1,324</u>
Total long-term debt	<u>1,324</u>	-	<u>1,324</u>
Total Liabilities	<u>9,234</u>	<u>512,647</u>	<u>521,881</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	1,428,638	4,475	1,433,113
Unrestricted	<u>360,836</u>	<u>500,652</u>	<u>861,488</u>
Total Net Assets	<u>1,789,474</u>	<u>505,127</u>	<u>2,294,601</u>
Total Liabilities and Net Assets	<u>\$ 1,798,708</u>	<u>1,017,774</u>	<u>\$ 2,816,482</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2006

	Business -Type Activities - Enterprise Funds		
	Water/Sewer Fund	Electrical Fund	Total
Operating Revenues:			
Sales to customers	\$ <u>439,180</u>	<u>3,700,493</u>	\$ <u>4,139,673</u>
Total Operating Revenues	<u>439,180</u>	<u>3,700,493</u>	<u>4,139,673</u>
Operating Expenses:			
Personnel services	137,241	150,809	288,050
Supplies	87,365	12,023	99,388
Other services and charges	11,895	2,477,380	2,489,275
Provision for bad debt	-	178,751	178,751
Depreciation	<u>35,273</u>	<u>3,836</u>	<u>39,109</u>
Total Operating Expenses	<u>271,774</u>	<u>2,822,799</u>	<u>3,094,573</u>
Operating income (loss)	<u>167,406</u>	<u>877,694</u>	<u>1,045,100</u>
Nonoperating revenues			
Interest income	-	4,925	4,925
Other income	45	4,964	5,009
Intergovernmental revenues	<u>754,742</u>	<u>66,089</u>	<u>820,831</u>
Total nonoperating revenues	<u>754,787</u>	<u>75,978</u>	<u>830,765</u>
Net Income Before Operating Transfers	922,193	953,672	953,672
Operating Transfers In	-	1,164	1,164
Operating Transfers (Out)	-	<u>(1,103,758)</u>	<u>(1,103,758)</u>
Net Income (loss)	<u>922,193</u>	<u>(148,922)</u>	<u>(148,922)</u>
Retained Earnings October 1	867,281	654,049	1,521,330
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Retained Earnings as restated	<u>867,281</u>	<u>654,049</u>	<u>1,521,330</u>
Retained Earnings/Fund Balance September 30	<u>\$ 1,789,474</u>	<u>505,127</u>	<u>\$ 2,294,601</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended September 30, 2006

	Business - Type Activities Enterprise Fund		
	Water/Sewer Fund	Electrical Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 439,180	3,521,743	\$ 3,960,923
Payments to suppliers	(99,261)	(2,489,405)	(2,588,666)
Payments to employees	(137,241)	(150,809)	(288,050)
Net cash provided by (used for) operating activities	202,678	881,529	1,084,207
 (Increase) Decrease in:			
Accounts receivable	-	166,807	166,807
Cash, time deposits	-	(249,443)	(249,443)
Due from other funds	(194,443)	194,443	-
 Increase (Decrease) in:			
Accounts payable	(8,280)	(744)	(9,024)
Due to other funds	-	34,284	34,284
Customer's deposits	-	(260)	(260)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(45)</b>	<b>1,026,616</b>	<b>1,026,571</b>
 <b>CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers in	-	1,164	1,164
Operating transfers out	-	(1,103,758)	(1,103,758)
<b>NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES</b>	<b>-</b>	<b>(1,102,594)</b>	<b>(1,102,594)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment	(754,742)	-	(754,742)
Non operating revenues	754,742	66,089	820,831
<b>NET CASH FLOWS USED IN INVESTING</b>	<b>-</b>	<b>66,089</b>	<b>66,089</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Interest earned on account	-	4,925	4,925
Other income	45	4,964	5,009
<b>NET CASH FLOWS USED BY FINANCING ACTIVITIES</b>	<b>45</b>	<b>9,889</b>	<b>9,934</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Leland, Mississippi (the City) was incorporated under the provisions of Mississippi Law. The City is governed by its Mayor and a Board of Aldermen consisting of five members. Services provided to the citizens of Leland include but are not limited to public safety (police and fire protection), streets, recreation, and utility services (water and sewer).

The City's accompanying policies conform to generally accepted accounting principals for governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the City's more significant accounting policies are described as follows:

**FINANCIAL REPORTING ENTITY**

The accompanying financial statements reflect only the primary government of the City of Leland. The primary government includes only those funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the City. The financial statements do not include the data of the component units necessary for general purpose financial reporting in conformity with generally accepted accounting principles.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the City only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities display information about the City as whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

**FUND FINANCIAL STATEMENTS**

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

**MAJOR GOVERNMENTAL FUNDS**

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

**Community Development Block Grant Fund** - The fund is a special revenue fund used to account for the grant funds that are restricted for constructing, paving, resurfacing, improving and maintaining public streets, sidewalks and bridges.

**MAJOR BUSINESS- TYPE FUNDS**

**Water System** - The water system fund is used to account for the operation of the City's water system, which are supported by user charges.

**Sewer System** - The sewer system fund is used to account for the operation of the City's sewer system, which are supported by user charges and special taxes.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or if it is due under cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

#### BUDGETARY CONTROL

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The City Clerk and Mayor prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submits the proposal to the Board of Aldermen. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is set.

A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

#### CASH AND CASH EQUIVALENTS

The City deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts and savings accounts. Cash and other deposits are valued at cost.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

DEFICIT FUND EQUITY

The City of Leland had a deficit fund equity by individual fund as follows at September 30, 2006.

<u>Individual Fund</u>	<u>Amount</u>
General Fund	\$ (283,715)

INTERNAL ACTIVITY

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statement, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

**Restricted Assets** - Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

**Capital Assets** - Capital assets, which include property, equipment and infrastructure acquired after October 1, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land Improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary funds assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period.

Compensated Absences - The City accrues unpaid leave and associated employee-related cost when earned ( or estimate to be earned) by employees up to 60 hours. For the Proprietary Funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Funds Financial Statements, all of the compensated absences are considered long-term and therefore, are not a liability and represents a reconciling item between fund level and government-wide presentation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### NOTE 2 - CASH AND CASH EQUIVALENTS

The collateral for public entities, deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds was \$904,847 and \$427,190, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$336,207 and Restricted Assets - \$568,640. The Restricted Assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the Town's programs. The bank balance was \$2,803.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the town. deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of September 30, 2006, none of the city's bank balance of \$1,106,175 was exposed to custodial credit risk.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2006, none of the City's bank balance of \$1,106,175 was exposed to custodial credit risk.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2006, the City had no investments.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- bonds or direct obligations of the:
  - United States of America
  - State of Mississippi
  - County or Municipality of Mississippi
  - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

**NOTE 3 - AD VALOREM TAXES**

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2006, the City levied and collected 38.80 mills of taxes for general corporate purposes of the City.

**NOTE 4 - INTERFUND BALANCES AND TRANSFERS**

Individual fund interfund receivable and payable balances are presented as of September 30, 2006 as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 300	\$ 337,419
Sanitation Fund	75,272	-
Water/Sewer System Fund	<u>337,419</u>	<u>75,272</u>
Total	<u>\$ 412,991</u>	<u>\$ 412,691</u>

Individual fund interfund transfers are presented as of September 30, 2006 as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,285,147	\$ 183,748
Water/Sewer System Fund	1,164	1,103,758
Sanitation Fund	<u>1,195</u>	<u>-</u>
	<u>\$ 1,287,506</u>	<u>\$ 1,287,506</u>

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

NOTE 5 - RECEIVABLES

Receivables at June 30, 2006 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Accounts Receivable</u>		
Charges for services	\$ -	\$ 748,238
Franchise taxes	853	-
Property taxes	7,590	-
Accounts receivable, other	-	-
Total Accounts Receivable	<u>8,443</u>	<u>748,238</u>
<u>Due From Other Governments</u>		
Sales Taxes	34,454	-
MS Development Authority	23,485	-
State Department of Public Safety	2,888	-
Total due from other governments	<u>60,827</u>	<u>-</u>
Less: allowance for uncollectibles	-	(249,714)
Receivables, net of allowance	<u>\$ 69,270</u>	<u>\$ 498,524</u>

NOTE 6 - FIXED ASSETS

A summary of general fixed asset transactions for the year ended September 30, 2006 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Non Depreciable Capital Assets				
Land	\$ 132,702	-	-	\$ 132,702
Total non depreciable capital assets	<u>132,702</u>	<u>-</u>	<u>-</u>	<u>132,702</u>
Depreciable Capital Assets				
Buildings and Improvements	360,704	-	-	360,704
Motor Vehicles	1,339,458	-	(21,019)	1,318,439
Machinery and Equipment	481,656	-	-	481,656
Accumulated Depreciation	(1,759,104)	(142,646)	8,057	(1,893,693)
Total depreciable capital assets	<u>422,714</u>	<u>(142,646)</u>	<u>(12,962)</u>	<u>267,106</u>
Total Governmental Activities	<u>\$ 555,416</u>	<u>(142,646)</u>	<u>(12,962)</u>	<u>\$ 399,808</u>
<b>Business-Type Activities:</b>				
Non Depreciable Capital Assets				
Sewer Construction in Process	\$ -	754,742	-	\$ 754,742
Total nondepreciable capital assets	<u>\$ -</u>	<u>754,742</u>	<u>-</u>	<u>\$ 754,742</u>
Depreciable Capital Assets				
Buildings	\$ 196,232	-	-	\$ 196,232
Water/sewer system & treatment plant	1,492,182	-	-	1,492,182
Machinery & Equipment	260,584	-	-	260,584
Motor vehicles	262,971	-	-	262,971
Accumulated Depreciation	(1,494,490)	(39,108)	-	(1,533,598)
Net depreciable capital assets	<u>717,479</u>	<u>(39,108)</u>	<u>-</u>	<u>678,371</u>
Total Business-Type Activities	<u>\$ 717,479</u>	<u>715,634</u>	<u>-</u>	<u>\$ 1,433,113</u>

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Finance & Administrative	\$ 21,977	-	\$ 21,977
Fire Protection	56,341	-	56,341
Police Protection	26,928	-	26,928
Public Works	28,583	-	28,583
Parks & Recreation	2,064	-	2,064
Sanitation	6,753	-	6,753
Water/Sewer System	-	35,273	35,273
Electrical System System	-	3,836	3,836
Total Depreciation Expense	<u>\$ 142,646</u>	<u>39,109</u>	<u>\$ 181,755</u>

**NOTE 7 - LONG-TERM DEBT**

A summary of long-term debt transactions for the year ended September 30, 2006, were as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds and notes payable	\$ 184,100	900	(185,000)	\$ -	\$ -
Notes payable	4,107	20,000	(10,577)	13,530	10,074
DEQ loan payable	-	754,742	-	754,742	-
Capital lease obligation	66,622	-	(50,353)	16,269	7,979
Compensated for absences	<u>27,312</u>	<u>16,802</u>	<u>(16,802)</u>	<u>27,312</u>	<u>23,870</u>
Totals	<u>\$ 282,141</u>	<u>792,444</u>	<u>(262,732)</u>	<u>\$ 811,853</u>	<u>\$ 41,923</u>

Long-term debt activity for the year ended September 30, 2006, is presented as follows:

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated Absences:	<u>\$ 2,108</u>	<u>1,990</u>	<u>(1,969)</u>	<u>\$ 6,826</u>	<u>\$ 5,502</u>

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

NOTE PAYABLE

Note consist of the following at September 30, 2006:

A 4.35% note, payable to Planter's Bank and Trust, dated January 17, 2006 payable in monthly installments of \$871.93, which includes principal and interest, matures January 20, 2008. The note is unsecured.

The annual requirement to amortize this outstanding debt as of September 30, 2006 including interest payments of \$13,947 are as follows:

Year Ended September 30,	Principal	Interest
2007	\$ 10,074	\$ 389
2006	3,456	28
	\$ 13,530	\$ 417

CAPITAL LEASES

The City has entered into two (2) leases as lessee of several vehicles for its police department. These lease agreements qualifies as capital leases for accounting purposes and the lease payments are reflected as a capital lease for accounting purposes and the lease payments are reflected as a capital lease obligation at the present value of the aggregate payments due over the remaining life of the leases. Included in automotive and equipment is approximately \$87,000 of motor vehicles under capital lease. The accumulated amortization on this equipment is \$26,964 as of September 30, 2006, and is recorded as a component of depreciation expense. Amortization expense was \$26,964 for the year ended September 30, 2006.

The present value of future minimum capital lease payments as of September 30, 2006 are as follows:

2007	\$ 17,260
Total minimum payments	17,260
Less amount representing interest	(992)
Present Value of Minimum Capital Lease Payments	\$ 16,268

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

Substantially all City full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. These plans are administered by separate boards of trustees.

1. Plan Description and Provisions

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, 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 Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS member are required to contribute 7.25% of their annual covered salary and the City of Leland is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal year ended September 30, 2006 was \$157,035, which equalled the required contributions for the year.

**NOTE 9 - COMPENSATION OF ELECTED OFFICIALS**

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2006 were as follows:

	<u>Position</u>	<u>Amount</u>
Barbara Brooks	Mayor	\$ 11,989
Mala Brooks	Aldерwoman	5,995
Claudette Amos	Aldерwoman	5,995
Danny Barber	Alderman	5,995
kenny Thomas	Alderman	5,995
Russell King, III	Alderman	7,194
Mickey Fratesi	City Clerk	56,050
Cynthia Norals	Deputy Clerk	26,180
Bridgette Adley	Deputy Clerk	35,000
Mary Ann Hairston	Deputy Clerk	27,874
Eddie Johnson	Police Chief	40,779

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The City has been named as a defendant in several lawsuits as of September 30, 2006. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the City's liability. Losses, if any, are not expected to exceed available insurance coverage.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

**NOTE 11 - RESERVED FUND BALANCES AND RETAINED EARNINGS**

Various bond covenants require the City to maintain cash reserves that can only be used under specific circumstances. Since these funds are available only under specific circumstances, the amounts are presented as restricted.

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

**NOTE 13 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR**

Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Alderwomen. At fiscal year-end, the receivable represent delinquent taxes.

Property taxes on real, personal and public utilities attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Washington County bills and collect the real, personal and ad valorem taxes for the City of Leland, Mississippi. The taxes are remitted to the City on a monthly basis.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due February 1 and one-fourth each on May 1 and August 1. Major tax payments are received February through May, are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

**NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For the fiscal year ended September 30, 2006, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At September 30, 2006, there was no effect on fund balance as a result of implementing GASB Statements No. 37 and 38.

CITY OF LELAND, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2006

GASB Statement No. 34 creates two (2) basic financial statements for reporting on the City's financial activities. The financial statements now includes government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**NOTE 15 - RELATED PARTY TRANSACTIONS**

The City of Leland is a participant in the Municipal Energy Agency of Mississippi (MEAM). The function of MEAM is to provide a continuing source of electrical power to its participants at the best possible rates. In 1994, the City entered into a Power Purchase Contract with MEAM, which provides that the City will purchase its electrical power from MEAM through August 1, 2022, including a payment of a 2 mil per kilowatt hour assessment. MEAM has pledged its revenue from the Power Purchase contracts on Revenue Bonds issued to finance the construction of electric generation equipment at certain participants' generation plants which benefit all MEAM participants. The City of Leland's ongoing responsibility in MEAM is limited to obligations to purchase allocated amounts of electricity during the contract period at such rates as the Board of Commissioners of MEAM may deem appropriate to produce revenues for MEAM sufficient to service the Revenue Bonds. In the event that the City should cease to purchase power prior to the expiration date of the contract, the City would be obligated to repay MEAM its proportionate share of the underdepreciated cost of the constructed equipment. After the expiration date of the contract, the City of Leland may withdraw from MEAM at any time and purchase its power directly from outside sources.

The financial statements of MEAM are audited on an annual basis. These separate financial statements are available at the offices of MEAM in Jackson, Mississippi. During the current fiscal year, the City of Leland purchased \$2,443,399 of electricity from MEAM under its Power Purchase Contracts and owed MEAM \$262,318 at September 30, 2006.

**NOTE 16 - PRIOR PERIOD ADJUSTMENT**

The following prior period adjustments were made to the government wide financial statements for GASBS 34 reporting.

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
Governmental Activities	To adjust fixed asset and accumulated depreciation	\$ (43,309)

CITY OF LELAND, MISSISSIPPI

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2006



**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Honorable Mayor Barbara Brooks  
and Honorable Members of the  
Board of Alderman  
City of Leland, Mississippi

Our report on our audit of the financial statements of the City of Leland, Mississippi for the year ended September 30, 2006 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules included in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

*Banks, Finley, White & Co.*

May 25, 2007

## Combining Balance Sheet

SCHEDULE A

Debt Service	Capital Project		TOTAL
	Sewer Improvement Fund	Hospital Repair Fund	
-	198,577	739	\$ 202,718
<u>2,803</u>	<u>-</u>	<u>-</u>	<u>2,803</u>
<u><u>2,803</u></u>	<u><u>198,577</u></u>	<u><u>739</u></u>	<u><u>\$ 205,521</u></u>
-	300	-	\$ 300
-	300	-	300
<u>2,803</u>	<u>198,277</u>	<u>739</u>	<u>205,221</u>
<u><u>2,803</u></u>	<u><u>198,577</u></u>	<u><u>739</u></u>	<u><u>\$ 205,521</u></u>

SCHEDULE B

Capital Project

<u>Debt Service</u>	<u>Sewer Improvement Fund</u>	<u>Hospital Repair Fund</u>	<u>TOTALS</u>
233,643	-	-	\$ 233,643
4,090	-	-	4,090
-	6	-	6
-	-	-	1,406
2,559	133,470	-	136,029
-	-	9,000	9,678
<u>240,292</u>	<u>133,476</u>	<u>9,000</u>	<u>384,852</u>
-	-	22,286	22,286
-	-	-	4,534
195,665	-	6,975	202,640
-	738,163	-	738,163
<u>195,665</u>	<u>738,163</u>	<u>29,261</u>	<u>967,623</u>
<u>44,627</u>	<u>(604,687)</u>	<u>(20,261)</u>	<u>(582,771)</u>
37,276	-	1,000	38,276
(112,237)	-	-	(112,237)
-	735,498	20,000	755,498
<u>(74,961)</u>	<u>735,498</u>	<u>21,000</u>	<u>681,537</u>
(30,334)	130,811	739	98,766
33,137	67,466	-	106,455
<u>2,803</u>	<u>198,277</u>	<u>739</u>	<u>\$ 205,221</u>

SCHEDULE C

CITY OF LELAND, MISSISSIPPI  
 Statement of Fiduciary Net Assets  
 Fiduciary Fund  
 For the Year Ended September 30, 2006

	<u>Insurance Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>23,216</u>
<b>Total Current Assets</b>	<u>23,216</u>
<b>Total Assets</b>	<u>\$ 23,216</u>
<b>Net Assets</b>	
Held in trust for claims and other purposes	\$ <u>23,216</u>
<b>Total Net Assets</b>	<u>23,216</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 23,216</u>

CITY OF LELAND, MISSISSIPPI  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Fiduciary Fund  
 For the Year Ended September 30, 2006

	Insurance Fund
Additions:	
Employer contributions	\$ <u>356,258</u>
Total contributions	<u>356,258</u>
Investment earnings:	
Interest	<u>2,676</u>
Total investment earnings:	<u>2,676</u>
Total Additions	<u>358,934</u>
Deductions:	
Benefits	<u>599,053</u>
Total deductions	<u>599,053</u>
Change in net assets	(240,119)
Net Asset, October 1	<u>263,335</u>
Net Asset, September 30	\$ <u><u>23,216</u></u>

## SCHEDULE E

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
Barbara Brooks	Mayor	U S F & G	\$ 30,000
Mala Brooks	Alderwoman	U S F & G	30,000
Claudette Amos	Alderwoman	U S F & G	30,000
Danny Barber	Alderman	U S F & G	30,000
Kenny Thomas	Alderman	U S F & G	30,000
Russell King, III	Alderman	U S F & G	30,000
Mickey Fratesi	City Clerk	Home Insurance	50,000
Cynthia Norals	Deputy Clerk	St. Paul	10,000
Bridgette Adley	Deputy Clerk	St. Paul	10,000
Mary Ann Hairston	Deputy Clerk	St. Paul	10,000
Eddie Johnson	Police Chief	Home Insurance	50,000

CITY OF LELAND, MISSISSIPPI  
 Schedule of Donated Space  
 September 30, 2006

In-kind space was donated by the City of Leland, Mississippi during the year ended September 30, 2006 to the following nonprofit organizations:

<u>AGENCY</u>	<u>Value of Donated Space</u>
Washington County Project Headstart	\$ 2,880
Christians United of Leland, Inc.	<u>4,200</u>
Total	<u><u>\$ 7,080</u></u>

CITY OF LELAND, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year September 30, 2006

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Current Year Federal Expenditures
<u>U.S. Department of Justice</u>			
Pass through State of Mississippi Dept. of Public Safety			
Safe Communities Program	16.XXX	06-SC-296-1	\$ 33,988
Safe Communities Program	16.XXX	05-SC-296-1	1,433
Stop Violence Against Women Grant	16.588	04-SL-296-1	<u>10,109</u>
			<u>45,530</u>
<b>TOTAL U. S. DEPARTMENT OF JUSTICE</b>			<u>45,530</u>
<u>U. S. Department of Transportation</u>			
Pass through State of Mississippi Dept. of Transportation			
Street Repair Project	20.207	STP-9670-00-01	<u>21,020</u>
<u>Federal Emergency Management Agency</u>			
Pass through State of Mississippi Emergency Management Agency			
Katrina Assistance	97.036	151-40280-00	<u>66,089</u>
<u>Department of Environmental Quality</u>			
Pass through Mississippi Department of Environmental Quality			
The City of Leland has the following loan payable to the MS Dept. of Environmental Quality at Sep. 30, 2006 which was used for sewer improvements.			
2.785% Water Pollution Control Revolving Loan	66.458	SRF-C280860-01-2	<u>754,742</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 887,381</u>

CITY OF LELAND, MISSISSIPPI  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Leland, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**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**

The Honorable Mayor Barbara Brooks  
and Honorable Members of the Board of Alderman  
Leland, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leland, Mississippi (the City), as of and for the year ended September 30, 2006, which collectively comprise the City of Leland, Mississippi's basic financial statements and have issued our report thereon dated May 25, 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 of Leland, Mississippi'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 assurance 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 over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leland, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Banks, Finley, White & Co.*  
May 25, 2007



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

The Honorable Mayor Barbara Brooks  
and Honorable Members of the Board of Aldermen  
Leland, Mississippi

Compliance

We have audited the compliance of the City of Leland, 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 of Leland, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Leland, Mississippi's management. Our responsibility is to express an opinion on the City of Leland, Mississippi'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 Standard, 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Leland, Mississippi'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. Our audit does not provide a legal determination on the City of Leland, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The Management of the City of Leland, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Leland, Mississippi 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 on compliance and to test and report on internal control over compliance 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 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 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 the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Mayor, Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Banks, Finley, White & Co.*  
May 25, 2007



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

To the Honorable Mayor Barbara Brooks, and  
Honorable Members of the Board of Alderman  
of the City of Leland, Mississippi

We have audited the financial accompanying financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the City of Leland, Mississippi (the City) as of and for the year ended September 30, 2006, which collectively comprise the City of Leland, Mississippi's basic financial statements and have issued our report thereon dated May 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United of States America and the standards applicable to financial audits contained in *Governmental 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 procedures performed to test compliance with certain other laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your response are as follows:

Finding

The City failed to prepared the Municipal Compliance Questionnaire and submit it to the state as required by state law.

Recommendation

The City should comply with the state requirement and complete the municipal compliance questionnaire immediately and submit it to the state.

City's Response

We concur with the auditors' finding. Internal administrative control procedures will be implemented to ensure that the completion and the submission of the Municipal Compliance Questionnaire in a timely manner is complied with.

Finding

The City general fund expenditures exceeded its budget appropriations which is a violation of Section 21-31-15, Miss. Code Ann. (1972), which states that expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants.

Recommendation

The City should comply with the state requirement and monitor its spending in order not to spend in excess of its appropriations.

City's Response

We concur with the auditors' finding. Internal administrative budgetary controls will be adopted and monitored to ensure that budgeted expenditures does not exceed budget appropriations.

This report is intended solely for the information and use of the Mayor, Board of Alderman, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Banks, Finley, White & Co.*  
May 25, 2007

CITY OF LELAND, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements.                     | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements.                     | None        |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs  | Unqualified |
| 5. | Internal control over major programs:   |             |
|    | a. Material weaknesses identified?  | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses?  | None        |
| 6. | Any audit findings reported as required by Section __.510(a ) of Circular A-133?  | None        |
| 7. | Federal programs identified as major programs:  |             |
|    | a. U. S. Department of Environmental Quality<br>Water Pollution Control Revolving Loan Program Grant Number # SRF-C280860-01-24;<br>CFDA 66.458 |             |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: \$300,000  |             |
| 9. | Auditee did qualify as a low-risk auditee.  |             |

Section 2 - Finding Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE