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***CITY OF PORT GIBSON, MISSISSIPPI***

*Financial Statements, Additional Information,  
Internal Control and Compliance,  
and Management Letter*

*Year Ended September 30, 2006*

*with*

*Independent Auditor's Reports*

**CITY OF PORT GIBSON, MISSISSIPPI**  
**FINANCIAL STATEMENTS, ADDITIONAL INFORMATION,**  
**INTERNAL CONTROL AND COMPLIANCE, AND MANAGEMENT LETTER**  
**YEAR ENDED SEPTEMBER 30, 2006**

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Wayne E. Myles  
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Tupelo, Mississippi

**CITY OF PORT GIBSON, MISSISSIPPI**  
**FINANCIAL STATEMENTS, ADDITIONAL INFORMATION,**  
**INTERNAL CONTROL AND COMPLIANCE, AND MANAGEMENT LETTER**  
**YEAR ENDED SEPTEMBER 30, 2006**

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**SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL  
STATEMENTS AND ADDITIONAL INFORMATION**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, 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 Port Gibson, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Port Gibson's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008, on our consideration of the City of Port Gibson Mississippi's internal control over financial reporting and on our test of its compliance with certain provisions of laws,

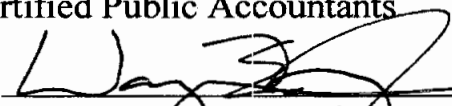
Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

regulations, contracts and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Gibson, Mississippi's basic financial statements. The combining and individual non-major fund financial statements and also the information listed as other supplemental information in the table of contents are presented for 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 States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Port Gibson, Mississippi. The combining and individual non-major fund financial statements and also the information listed as other supplemental information in the table of contents and 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

THE MYLES CPA FIRM, PLLC  
Certified Public Accountants

BY:   
Wayne E. Myles  
Certified Public Accountant  
FOR THE FIRM

Tupelo, Mississippi  
April 18, 2008

Wayne E. Myles  
Certified Public Accountant  
Tupelo, Mississippi

**City of Port Gibson  
Management's Discussion and Analysis  
For The Year Ended September 30, 2006**

The Discussion and Analysis of The City of Port Gibson financial performance provides overall review of the City's financial activities for the year ended September 30, 2006. Readers should also review the basic financial statements to understand the City's financial performance.

This discussion and analysis is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board's Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments issued June 1999.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2006 were as follows:

**FINANCIAL STATEMENTS**

The City's basic financial statements consist of three parts:

1. government-wide financial statements
2. fund financial statements
3. notes to the financial statements

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with an overview of the City's finances in a manner similar to the private sector business. The governmental funds are shown and the business type funds. The City of Port Gibson has only one major business type fund, the water and sewer fund.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. The change in net assets can be used to indicate whether the financial position of the City is improving or not improving.

The statement of activities shows the current revenue and expenses of the City, This statement also shows the changes in net assets that occurred during the fiscal year. The City of Port Gibson's major revenue is the taxes, charge for services, and state shared revenue. The expenses are the governmental funds are for general government, public safety and public works.

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# Management's Discussion and Analysis

Page 2

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Gibson uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on the current resources that are spent and balances of resources available for spending at the end of the fiscal year.

Included in the fund statements are the statement of net assets for the governmental funds and the statement of activity for the governmental funds.

**Proprietary funds.** The City of Port Gibson maintains one type of proprietary fund, the water and sewer fund. Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. The proprietary fund statements include, the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows.

**Notes to the financial statements.** The notes to the financial statements provide additional information for the reader to understand the basic financial statements completely. They must be read accompanying the financial statements.

**Required supplementary information.** GASB 34 requires additional information to be included with the financial statements and notes. Budgetary comparison statements are required information. This statement is included for the general fund.

---

**Wayne E. Myles**  
Certified Public Accountant  
Tupelo, Mississippi

# FINANCIAL STATEMENTS

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2006**

	Primary Government		Totals
	Governmental Activities	Business - Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 971	\$ 3,893	\$ 4,864
Taxes receivables	136,000	-	136,000
Other receivables	139,819	21,496	161,315
Prepaid expenses	-	-	-
Due from other funds	177,870	(177,870)	-
Due from other government	-	-	-
Total Current Assets	<u>454,660</u>	<u>(152,481)</u>	<u>302,179</u>
Non-current Assets:			
Restricted cash and cash equivalents	-	66,404	66,404
Capital Assets:			
Land	123,493	-	123,493
Buildings and building improvements	1,298,403	1,526,214	2,824,617
Improvements other than buildings	6,532,341	711,495	7,243,836
Equipment, machinery and vehicles	405,120	199,926	605,046
Less accumulated depreciation	-	(1,395,500)	(1,395,500)
Capital assets, net	<u>8,359,357</u>	<u>1,042,135</u>	<u>9,401,492</u>
Total Non-Current Assets	<u>8,359,357</u>	<u>1,108,539</u>	<u>9,467,896</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,814,017</u>	<u>\$ 956,058</u>	<u>\$ 9,770,075</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Overdrafts	46,056	-	46,056
Deposits payable	-	74,215	74,215
Other payables	377,429	(19,396)	358,033
Current portion of capital lease payable	-	-	-
Total Current Liabilities	<u>423,485</u>	<u>54,819</u>	<u>478,304</u>
Non-current Liabilities			
Compensated absences	-	-	-
Capital improvement loan	-	-	-
Obligation under capital lease	29,249	-	29,249
Bonds payable	-	-	-
Total Non-current Liabilities	<u>29,249</u>	<u>-</u>	<u>29,249</u>
<b>TOTAL LIABILITIES</b>	<u>452,734</u>	<u>54,819</u>	<u>507,553</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,359,357	963,943	9,323,300
Restricted	-	-	-
Unrestricted	<u>1,926</u>	<u>(62,705)</u>	<u>(60,779)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 8,361,283</u>	<u>\$ 901,238</u>	<u>\$ 9,262,521</u>

See accompanying notes to financial statements.



**CITY OF PORT GIBSON, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2006**

	General Fund	Other Non-major Governmental Funds	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 960	\$ 10	\$ 970
Taxes receivables	136,000	-	136,000
Other receivables	23,525	116,294	139,819
Prepaid expenses	-	-	-
Due from other funds	337,477	-	337,477
Total Current Assets	<u>497,962</u>	<u>116,304</u>	<u>614,266</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Unearned revenue	46,056	-	46,056
Deposits payable	-	-	-
Other payables	181,668	195,761	377,429
Due to other funds	(60,201)	219,808	159,607
Total Current Liabilities	<u>167,523</u>	<u>415,569</u>	<u>583,092</u>
<b>FUND BALANCES</b>			
Restricted	-	-	-
Unrestricted	330,440	(299,265)	31,175
Total Fund Balances	<u>\$ 330,440</u>	<u>\$ (299,265)</u>	<u>\$ 31,175</u>

See accompanying notes to financial statements.

Reconciliation of the Balance Sheet of Government Funds  
To the Statement of Net Assets  
City of Port Gibson, MS  
September 30, 2006

Fund Balances - total governmental funds \$ 31,175

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

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the governmental funds

Governmental capital assets  
Less accumulated depreciation 8,359,357

Capital Leases are not due and payable and therefore are not  
reported in the governmental funds. (29,249)

Net Assets of Governmental Activities \$ 8,361,283

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENT FUND TYPES**

**For the Year Ended September 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 458,599	\$ -	\$ 458,599
Franchise fees	131,917	-	131,917
Licenses and permits	6,251	-	6,251
State grants	19,696	-	19,696
Federal grants	626,803	118,213	745,016
State shared revenues	662,186	-	662,186
Fines and forfeits	5,117	-	5,117
Charges for services	-	-	-
Other	349,303	3	349,306
Total revenues	<u>2,259,872</u>	<u>118,216</u>	<u>2,378,088</u>
<b>EXPENDITURES:</b>			
Current (Operating):			
General Government	1,305,581	132,740	1,438,321
Public safety	486,022	-	486,022
Public services	631,991	-	631,991
Culture and recreation	4,120	-	4,120
Capital Outlay	-	51,698	51,698
Total Expenditures	<u>2,427,714</u>	<u>184,438</u>	<u>2,612,152</u>
Excess of revenues over (under) expenditures	167,842)	66,222)	(234,064)
Other financing sources ad uses, including transfers			
Other	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(167,842)	(66,222)	(234,064)
FUND BALANCES, beginning of year	498,282	(233,044)	265,238
FUND BALANCES, end of year	<u>\$ 330,440</u>	<u>\$ (299,266)</u>	<u>\$ 31,174</u>

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures  
And changes in Fund Balance to the Statement of Activities  
Governmental Funds  
For the Year Ended September 30, 2006**

Net Change in Fund Balances - total governmental funds	\$ (234,064)
Amounts reported for governmental activities in Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$ exceeded depreciation of \$ in the current period.	-
Repayment of debt principal is an expenditure in the governmental funds, but the expenditures reduces long-term liabilities in the Statement of Net Assets.	-
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	-
Change in Net Assets of Governmental Funds	<u>\$ (234,064)</u>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**Proprietary Fund**  
**September 30, 2006**

	<b>Business-Type Activities</b>
	<b>Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,893
Taxes receivables	-
Other receivables	21,496
Prepaid expenses	-
Due from other funds	(177,870)
Due from other government	-
Total Current Assets	(152,481)
Non-current Assets:	
Restricted cash and cash equivalents	66,404
Capital Assets:	
Land	-
Buildings and building improvements	1,526,214
Improvements other than buildings	711,495
Equipment, machinery and vehicles	199,926
Less accumulated depreciation	(1,395,500)
Capital assets, net	1,042,135
Total Non-Current Assets	1,108,539
<b>TOTAL ASSETS</b>	<b>\$ 956,059</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Unearned revenue	-
Deposits payable	74,215
Other payables	(19,396)
Current portion of capital lease payable	-
Due to other governments	-
Total Current Liabilities	54,819
Non-current Liabilities	
Compensated absences	-
Capital improvement loan	-
Obligation under capital lease	-
Bonds payable	-
Total Non-current Liabilities	-
<b>TOTAL LIABILITIES</b>	<b>54,819</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	963,943
Restricted	-
Unrestricted	(62,705)
<b>TOTAL NET ASSETS</b>	<b>\$ 901,238</b>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**Proprietary Fund**  
**September 30, 2006**

		<b>Business-Type Activities</b>
		<b>Water &amp; Sewer Fund</b>
<b>OPERATING REVENUES:</b>		
Charge for services	\$	469,516
Other Revenue		99,641
Total Current Assets		569,157
<b>OPERATING EXPENSES:</b>		
Personnel services		129,402
Contractual and professional services		11,263
Other supplies and expenses		10,080
Repairs and maintenance		12,148
Insurance claims and expenses		68
Utilities		87,847
Depreciation		79,041
Total Operating Expenses		329,849
Operating Income(Loss)		239,308
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest expense		208
Interest earnings		575
Total Non-operating revenue (expenses)		367
Loss before operating transfers		239,675
<b>TRANSFERS &amp; OTHER SOURCES (USES)</b>		
Other		-
Transfers out		-
Total Transfers & Other Sources (uses)		-
Net Income(Loss)		239,675
<b>NET ASSETS - BEGINNING OF YEAR</b>		<b>661,563</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$</b>	<b>901,238</b>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON**  
**STATEMENT OF CASHFLOWS**  
**Proprietary Fund**  
**September 30, 2006**

	<b>Business-Type Activities</b>
	<b>Water &amp; Sewer Fund</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES:</b>	
Operating loss	\$ 239,675
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	79,041
Gain on sale of fixed assets	-
Increase(Decrease) in:	
Receivables	(5,181)
Due from other funds	(185,403)
Prepaid expenses	-
Increase(Decrease) in:	
Accounts payable	-
Other payables	(216,240)
Due to other funds	-
Customer deposits	-
Capital lease payable	(67,470)
Net cash provided by operating activities	(155,578)
<b>CASHFLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of fixed assets	48,384
Proceeds from sale of fixed assets	-
Operating transfers to other funds	-
Net cash used for capital and related financing activities	48,384
<b>CASHFLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on deposit accounts	575
Proceeds from capital lease	-
Interest paid on capital lease	-
Principal payments on capital lease	-
Net cash provided by (used for ) in cash	575
Net increase(decrease) in cash	(106,619)
<b>CASH - BEGINNING OF YEAR</b>	110,512
<b>CASH - END OF YEAR</b>	\$ 3,893

See accompanying notes to financial statements.

CITY OF PORT GIBSON  
STATEMENT OF CASH FLOWS  
Proprietary Fund  
September 30, 2006

	<b>Business-Type Activities</b>
	<b>Water &amp; Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating loss	\$ (22,855)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	79,041
Gain on sale of fixed assets	-
Increase(Decrease) in:	
Receivables	(48,974)
Due from other funds	(4,414)
Prepaid expenses	(852)
Increase(Decrease) in:	
Accounts payable	24,907
Other payables	(4,740)
Due to other funds	225,176
Customer deposits	(433)
Capital lease payable	56,141
Net cash provided by operating activities	302,997
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of fixed assets	-
Proceeds from sale of fixed assets	-
Operating transfers to other funds	(297,000)
Net cash used for capital and related financing activities	(297,000)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on deposit accounts	-
Proceeds from capital lease	-
Interest paid on capital lease	(243)
Principal payments on capital lease	(1,813)
Net cash provided by (used for ) in cash	(2,056)
Net increase(decrease) in cash	3,941
 <b>CASH - BEGINNING OF YEAR</b>	 79,972
<b>CASH - END OF YEAR</b>	<b>\$ 83,913</b>

Wayne E. Myles  
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See accompanying notes to financial statements.

**CITY OF PORT GIBSON**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended September 30, 2006**

	Original Budget	Actual	Variance from Amended Budget Over(under)
<b>REVENUES:</b>			
General property taxes	\$ 185,500	\$ 141,661	\$ (43,839)
Licenses and privileges	80,000	2,901	\$ (77,099)
State grants	6,000	6,134	\$ 134
Federal Grants	626,803	626,803	\$ -
State shared revenues	980,000	951,004	\$ (28,996)
Charges for utility services	-	-	\$ -
Fines and forfeits	25,000	5,117	\$ (19,883)
Interest earnings	5,000	1,582	\$ (3,418)
Rents and royalties	95,000	2,050	\$ (92,950)
Settlements from lawsuits	-	-	\$ -
Other Income	675,610	339,535	\$ (336,075)
Total Revenues	<u>2,678,913</u>	<u>2,076,787</u>	<u>(602,126)</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel services	250,000	194,669	(55,331)
Supplies	55,000	58,674	3,674
Other services and charges	542,000	519,683	(22,317)
Total	<u>847,000</u>	<u>773,026</u>	<u>(73,974)</u>
Public Safety:			
Personnel services	250,000	375,587	125,587
Supplies	55,000	47,854	(7,146)
Other services and charges	542,000	519,683	(22,317)
Total	<u>847,000</u>	<u>943,124</u>	<u>96,124</u>
Public Works:			
Personnel services	225,000	263,039	38,039
Supplies	526,803	221,668	(305,135)
Other services and charges	203,542	119,151	(84,391)
Total	<u>955,345</u>	<u>603,858</u>	<u>(351,487)</u>
Culture and Recreation:			
Personnel services	30,000	4,120	(25,880)
Total	<u>30,000</u>	<u>4,120</u>	<u>(25,880)</u>
Capital outlay	96,000	143,499	47,499
Transfers	7,600	297,000	289,400
Total Expenditures	<u>\$ 2,782,945</u>	<u>\$2,764,627</u>	<u>\$ (18,318)</u>

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See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED SEPTEMBER 30, 2006**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
General property taxes	\$185,500	\$ 141,661	\$ (43,839)
Licenses and privileges	80,000	2,901	(77,099)
State grants	6,000	6,134	134
Federal Grants	626,803	626,803	-
State shared revenues	980,000	951,004	(28,996)
Charges for utility services	-	-	-
Fines and forfeits	25,000	5,117	(19,883)
Interest earnings	5,000	1,582	(3,418)
Rents and royalties	95,000	2,050	(92,950)
Settlements from lawsuits	-	-	-
Other Income	675,610	339,535	(336,075)
Total Revenues	2,678,913	2,076,787	(602,126)
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel services	250,000	194,669	55,331
Supplies	55,000	58,674	(3,674)
Other services and charges	542,000	519,683	22,317
Total	847,000	773,026	73,974
Public Safety:			
Personnel services	250,000	375,587	(125,587)
Supplies	55,000	47,854	7,146
Other services and charges	542,000	519,683	22,317
Total	847,000	943,124	96,124
Public Works:			
Personnel services	225,000	263,039	(38,039)
Supplies	526,803	221,668	305,135
Other services and charges	203,542	119,151	84,391
Total	955,345	603,858	351,487
Culture and Recreation:			
Personnel services	30,000	4,120	25,880
Total	30,000	4,120	25,880

Continued



**CITY OF PORT GIBSON, MISSISSIPPI  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES - CONTINUED  
 YEAR ENDED SEPTEMBER 30, 2006**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED:			
Capital outlay:			
Current expenditures	509,922	504,763	5,159
Total	509,922	504,763	5,159
Total expenditures	3,159,267	2,824,771	526,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(480,354)	(747,984)	(267,630)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Capital lease proceeds	-	-	-
Sale of general fixed assets	-	-	-
Total other financing sources (uses)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(480,354)	(747,984)	(267,630)
FUND BALANCES, beginning of year	(38,567)	163,830	202,397
FUND BALANCES, end of year	(518,921)	(584,154)	(65,233)

See accompanying notes to financial statements.



**CITY OF PORT GIBSON, MISSISSIPPI STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
PROPRIETARY FUND YEAR ENDED SEPTEMBER 30, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEARS ENDED SEPTEMBER 30, 2004 & 2005)**

	Enterprise		
	2006	2005	(Memo Only) 2004
<b>OPERATING REVENUES:</b>			
Metered sales	\$ 469,516	\$ 377,421	\$ 331,088
Other sewer & refuse collection	9,641	139,285	90
<b>Total operating revenues</b>	<b>569,157</b>	<b>516,706</b>	<b>331,178</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	29,402	119,162	114,724
Contractual and professional services	1,263	13,018	5,486
Other supplies and expenses	10,080	107,792	81,058
Repairs and maintenance	12,148	59,238	18,191
Insurance claims and expenses	68	7,760	2,902
Utilities	87,847	86,149	53,267
Depreciation	79,041	79,041	79,041
Bad debt	-	-	-
<b>Total operating expenses</b>	<b>329,849</b>	<b>472,160</b>	<b>354,669</b>
<b>Operating loss</b>	<b>239,308</b>	<b>44,546</b>	<b>(23,491)</b>
<b>NON-OPERATING REVENUES:</b>			
Interest expense	(207)	-	-
Interest earnings	575	551	636
<b>Total non-operating revenues</b>	<b>368</b>	<b>551</b>	<b>636</b>
<b>Loss before operating transfers</b>	<b>39,676</b>	<b>45,097</b>	<b>(22,855)</b>
<b>TRANSFERS OUT</b>			
<b>Net loss</b>	<b>39,676</b>	<b>(371,903)</b>	<b>(319,855)</b>
<b>RETAINED EARNINGS, beginning of year</b>	<b>92,791</b>	<b>664,694</b>	<b>984,549</b>
<b>RETAINED EARNINGS, end of year</b>	<b>\$ 532,467</b>	<b>\$ 292,791</b>	<b>\$ 664,694</b>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS – BUDGET (NON GAAP BASIS)  
AND ACTUAL – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>			
Metered sales	\$ 412,000	\$ 315,976	\$ (96,024)
Other sales	200,000	158,350	\$ (41,650)
Total operating revenues	<u>612,000</u>	<u>474,326</u>	<u>(137,674)</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	115,000	124,456	(9,456)
Supplies	120,000	106,956	13,044
Other service & charges	288,400	111,589	176,811
Total operating expenses	<u>523,400</u>	<u>343,001</u>	<u>180,399</u>
Operating income (loss)	<u>88,600</u>	<u>131,325</u>	<u>42,725</u>
<b>NON-OPERATING REVENUES:</b>			
Interest expense	-	-	-
Interest earnings	750	575	(175)
Total non-operating revenues	<u>750</u>	<u>575</u>	<u>(175)</u>
Income (loss) before operating transfers	<u>89,350</u>	<u>131,900</u>	<u>42,550</u>
<b>TRANSFERS OUT</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>89,350</u>	<u>131,900</u>	<u>42,550</u>
<b>RETAINED EARNINGS, beginning of year</b>	<u>791,074</u>	<u>741,123</u>	<u>(49,951)</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 880,424</u>	<u>\$ 873,023</u>	<u>\$ (7,401)</u>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2006**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2005)**

	Enterprise	
	2006	(Memo Only) 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating loss	\$ 131,325	\$ 44,546
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	79,041	79,041
Gain on sale of fixed assets	-	-
(Increase) decrease in:		
Receivables	(5,181)	-
Due from other funds	(185,403)	-
Prepaid expenses	-	-
Increase (decrease) in:		
Accounts payable	-	-
Other payables	-	116,857
Due to other funds	202,116	152,452
Customer deposits	-	(97)
Capital lease payable	(67,470)	(17,656)
Net cash provided by operating activities	<u>154,428</u>	<u>375,143</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	48,384	-
Proceeds from sale of fixed assets	-	-
Operating transfers to other funds	-	417,000
Net cash used for capital and related financing activities	<u>48,384</u>	<u>417,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on deposit accounts	575	551
Proceeds from capital lease	-	-
Interest paid on capital lease	-	-
Principal payments on capital lease	-	-
Net cash provided by (used for) investing activities	<u>575</u>	<u>551</u>
Net decrease in cash and cash restricted	(106,619)	(41,306)
<b>CASH AND CASH RESTRICTED, at beginning of year</b>	<u>110,512</u>	<u>151,818</u>
<b>CASH AND CASH RESTRICTED, at end of year</b>	<u>\$ 3,893</u>	<u>\$ 110,512</u>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Port Gibson operates under a Mayor-Board of Alderman form of government and provides services authorized by its charter.

**FUND ACCOUNTING**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. A description of the funds in the financial statements in this project is as follows:

**1. Reporting Entity:**

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The Preservation Committee and the Tree Board, if they were to have revenues and expenditures, would be blended component units of the City's general purpose financial statements. Members of these boards are appointed by the City and the organizations would be funded by the City, if applicable.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation:**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The various funds are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

Governmental Fund Types

Governmental Funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the City's Governmental Fund types:

*General Fund:*

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Special Revenue Funds:*

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation - Continued:**

*Debt Service Funds:*

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

*Capital Projects Fund:*

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

Proprietary Fund Types

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following are the City's Proprietary Fund types:

*Enterprise Fund:*

The Enterprise Fund is used for activities which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund includes the Water Department.

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation - Continued:**

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt obligations. The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

*General Fixed Assets Account Group:*

This account group is established to account for all fixed assets of the City, other than those assets accounted for in the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

*General Long-Term Debt Account Group:*

This account group is established to account for all of the City's long-term debt that will be financed from general governmental resources. Long-term liabilities of all Proprietary Funds are accounted for in those funds.

**3. Measurement Focus/Basis of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus/Basis of Accounting - Continued:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, state shared revenue, federal grants, charges for utility services, sales taxes and interest. The City considers revenues available if they are collected within 60 days of year end. Fines, licenses, permits, rents and royalties are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

All proprietary funds are accounted for on an economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, including unbilled water services which are accrued. Expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus/Basis of Accounting - Continued:**

Deferred revenues consist primarily of prepaid rent and property taxes expected to be collected outside the availability period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**4. Budgetary Practices:**

Annually in September, the City adopts budgets on all governmental funds and proprietary funds. The budgetary practices include public notice of the proposed budgets, public inspections of the proposed budgets, and public hearings on the budgets. The budget is employed as a management control device during the year. All funds are adopted on a cash basis except for expenditures paid within thirty days of fiscal year end. Budgeted amounts included in the accompanying financial statements include original adopted budget amounts and all subsequent amendments. Appropriations lapse at the end of each fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

**5. Fixed Assets:**

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are recorded as expenditures at the time purchased or constructed and the related assets are capitalized (reported) in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. Interest has not been capitalized on fixed assets in the Governmental Fund Type operations.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**5. Fixed Assets - Continued:**

All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated.

Enterprise Fund

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Interest has not been capitalized during the construction period on fixed assets in the enterprise fund.

Depreciation of all exhaustible fixed assets used by a proprietary fund is charged as an expense against their operations. Depreciation expense of \$79,041 was included in operations for the year ended September 30, 2006. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water System Improvements	30 years
Water System Equipment	10 years
Water System Computer	5 years
Water System Trucks and Autos	5 years

**6. Compensated Absences:**

Employees accumulate vacation and sick leave at the rate of one day per month, with a maximum of ten days per fiscal year. However, unused leave days may not be carried over, nor do they vest. Accordingly, no accrual has been provided for compensated absences in the general purpose financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Property Taxes:**

Property taxes are levied in September and are payable by the following February 1. Property taxes attach as an enforceable lien on property as of January 1. Property tax revenues are recognized when they are levied. An allowance is established for delinquent taxes to the extent that their collectibility is doubtful. Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

The City passed and adopted a 19-millage tax levy for the fiscal 2006 for all governmental funds of the City.

**8. Interfund Transactions:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. The City allocates to several funds a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for such funds but are paid through the General Fund.

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions occur.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**9. Total Columns on Combined Statements - Overview:**

Total columns of the combined financial statements are captioned “Memo Only” to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**10. Comparative Data:**

Comparative total data for the prior year has been presented in the accompanying financial statement in order to provide an understanding of changes in the City’s financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**11. Cash and Cash Equivalents:**

Cash Flows

For the purpose of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**12. New Pronouncement:**

GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis - for State and Local Governments makes dramatic changes to the way state and local governments report their finances to the public. Under the new financial reporting model, the general purpose financial statements and required supplementary information will include the following:

- Management’s discussion and analysis (MD & A)
- Government wide financial statements
- Fund financial statements
- Notes to the financial statements

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. New Pronouncement - Continued:**

- Required supplementary information including budgetary comparison schedules, infrastructure condition data, and other data required by previous pronouncements, if applicable.

GASB No. 34 becomes effective in phases based on an organization's total revenues for years ended after June 15, 1999. This statement will be effective for the City's fiscal year ending September 30, 2006.

**NOTE B. RESTRICTED CASH**

The City has restricted cash in the amount of \$71,190 set aside for refundable deposits required of water users.

**NOTE C. FIXED ASSETS**

The details of general fixed assets are as follows:

	September 30, 2005	Additions	Retirements	September 30, 2006
Town hall and improvements	\$ 982,848	\$ -	\$ -	\$ 982,848
Other buildings	168,353	-	-	168,353
Industrial building	405,543	-	-	405,543
Natural gas system	529,943	-	-	529,943
Sewerage extension	120,230	-	-	120,230
Lagoon and sewerage - improvements	1,311,600	-	-	1,311,600
Deep well	523,101	-	-	523,101
Police building	87,942	-	-	87,942
Allen Motor Company property	50,000	-	-	50,000
Carpenter property	6,758	-	-	6,758
Police equipment	218,837	-	-	218,837
Fire equipment	68,994	-	-	68,994
Land	123,493	-	-	123,493
Office equipment	3,459	-	-	3,459
Street equipment	100,117	-	-	100,117
Street improvements	3,658,138	-	-	3,658,138
<b>Total capital assets</b>	<b>\$ 8,359,356</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,359,356</b>

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE C. FIXED ASSETS - CONTINUED**

A summary of the proprietary fund type property, plant and equipment is as follows:

	September 30, 2005	Additions	Retirements	September 30, 2006
Water distribution system	\$ 711,489.00	\$ -	\$ -	\$ 711,489.00
Treatment plant system	1,405,184	-	-	1,405,184
Machinery and equipment	202,217	-	-	202,217
Building improvements	134,286	-	-	134,286
	<u>2,453,176</u>	<u>-</u>	<u>-</u>	<u>2,453,176</u>
Less accumulated depreciation	(1,316,459)	(79,041)	-	(1,395,500)
Net	<u>\$ 1,136,717.00</u>	<u>\$ (79,041.00)</u>	<u>\$ -</u>	<u>\$ 1,057,676.00</u>

**NOTE D. DEFINED BENEFIT PENSION PLAN AND OTHER EMPLOYEE BENEFITS**

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

**Funding Policy:** PERS members are required to contribute 7.25% of their annual covered salary and City of Port Gibson is required to contribute at an actuarially determined rate. The current rate is 9.75% 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 of Port Gibson's contributions to PERS for the years ending September 30, 2006, 2002 and 2000 were \$92,999, \$78,352, and \$68,697, respectively, equal to the required contributions for each year.

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE E. CONTINGENCIES**

Litigation

Various claims and lawsuits are pending against the City. The potential loss on all claims and lawsuits are not material to the City's financial statements.

Grant Audit

The City receives State and Federal Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate grant. In the opinion of City management, such disallowances, if any, will not be material.

**NOTE F. RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters for which the government carries commercial insurance.

**NOTE G. FUND EQUITY**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

**NOTE H. OBLIGATIONS UNDER CAPITAL LEASES**

Lease agreements for heavy equipment are considered capital leases for financial accounting purposes. The present values of the leases were determined by reference to the leasing contract, which detailed the finance charges included in the lease payments. This lease covers the backhoe and dozer. This equipment is recorded in the proprietary fund for \$36,999 and \$36,999 is recorded in the general fixed assets account group. For the year ended September 30, 2006, amortization expense, which is included in depreciation expense, related to the proprietary fund's portion of the asset was \$5,424 and accumulated amortization amounted to \$8,388. The interest cost expensed in the proprietary fund and in the general fund was \$1,243 and \$1,243 respectively.

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**NOTE H. OBLIGATIONS UNDER CAPITAL LEASES - CONTINUED**

The following is a schedule, by years, of the total payments due under the capital lease:

Year Ending September 30,	Present Value of Future Minimum <u>Lease Payments</u>	Interest and Maintenance <u>Charges</u>	Minimum Lease <u>Payments</u>
2006	\$33,586	\$1,801	\$31,785
2005	7,574	868	6,706
2006	7,574	615	6,959
2007	7,574	353	7,221
2008	5,650	87	5,563
Total	<u>\$61,958</u>	<u>\$3,724</u>	<u>\$58,234</u>

Interest rates range from 3.7400% to 5.50015% at reporting date.

**NOTE I. COMMITMENTS**

In July, 2002, the City entered into an agreement with the State of Mississippi for a CAP loan agreement to comply with a matching funds requirement for a CDBG grant. As of the end of the fiscal year under audit, no proceeds have been advanced on this loan agreement.

## **ADDITIONAL INFORMATION**

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

<u>Definition and Purpose</u>	<u>Original Obligation</u>		<u>Outstanding at October 1, 2005</u>
	<u>Date</u>	<u>Amount</u>	
Lease Obligations Payable	June 25, 2003	\$ 34,490	\$ 19,763
Lease Obligations Payable	Aug. 27, 2004	\$ 59,106.81	\$ 53,273
Loans Payable	July 1, 2004	\$ 182,619.85	\$ 169,404

Schedule 1

Transactions during fiscal year		Outstanding at September 30, 2006	Payment Due	Interest Rates
Issued	Redeemed			
\$ -	\$ 6,953.00	\$ 12,810.00	Monthly through June, 2008	3.74%
\$ -	\$ 5,567.00	\$ 47,706.00	Monthly through September, 2009	3.1900%
\$ -	\$ 10,813	\$ 158,591.00	Monthly through June, 2019	2.00%

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

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Bond</u>
Amelda Arnold	Mayor	Fidelity and Deposit Insurance Company	\$25,000
Catherine Dodgen	City Clerk	Fidelity and Deposit Insurance Company	\$50,000
Vanessa Waters	Deputy City Clerk	Fidelity and Deposit Insurance Company	\$50,000
Calvin Jackson	Chief of Police	Fidelity and Deposit Insurance Company	\$50,000
Gregory King	Street & Water Commissioner	Fidelity and Deposit Insurance Company	\$50,000
Shannon Atlas	Water Department Office Manger	Fidelity and Deposit Insurance Company	\$10,000
Thomas Russum	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Eddie Walls, Jr.	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Vera Johnson	Alderwoman	Great River Insurance Company	\$25,000
Kenneth Davis	Alderman	Great River Insurance Company	\$25,000
Leslie Case	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Michael White	Alderman	Fidelity and Deposit Insurance Company	\$25,000

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2006**

<u>Federal Grantor/Pass-Through Grantor or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Direct Program:			
U.S. Department of Housing & Urban Development:			
Drainage and Erosion Improvement	10.219		\$107,704
Total U. S. Department of Agriculture & Conservation			<u>\$107,704</u>
Total Expenditures of Federal Awards			<u>\$107,704</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

**NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Gibson, Mississippi and is presented on the modified 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.

**CITY OF PORT GIBSON, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2006**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**NONE**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**

## SECTION II - INTERNAL CONTROL AND COMPLIANCE



**THE MYLES CPA FIRM, PLLC**  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

We have audited the general purpose financial statements of the City of Port Gibson, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated April 18, 2008. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Port Gibson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Port Gibson's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

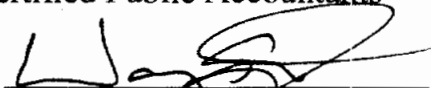
Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Items 06-01.

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 misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control structure over financial reporting that we have reported to the management of the City of Port Gibson, Mississippi, in a separate letter dated April 18, 2008.

This report is intended solely for the information and use of management, others within the organization, Mississippi State Department of Audit 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.

THE MYLES CPA FIRM, PLLC  
Certified Public Accountants

BY: 

Wayne E. Myles  
Certified Public Accountant  
FOR THE FIRM

Tupelo, Mississippi  
April 18, 2008



**THE MYLES CPA FIRM, PLLC**  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL**  
**OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen  
City of Port Gibson  
Port Gibson, Mississippi

**Compliance**

We have audited the compliance of the City of Port Gibson, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A -133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City of Port Gibson'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 Port Gibson's management. Our responsibility is to express an opinion on the City of Port Gibson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-B3 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 Port Gibson'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 of the City of Port Gibson's compliance with those requirements.

In our opinion, the City of Port Gibson, 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.

Honorable Mayor and Aldermen  
City of Port Gibson  
Port Gibson, Mississippi

Internal Control Over Compliance


The management of the City of Port Gibson, 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 Port Gibson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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 and use of management, Mississippi State Department of Audit, 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.

THE MYLES CPA FIRM, PLLC  
Certified Public Accountants

BY:

  
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Wayne E. Myles  
Certified Public Accountant  
FOR THE FIRM

Tupelo, Mississippi  
April 18, 2008

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the City of Port Gibson, Mississippi.
2. One reportable condition was disclosed during the audit of the financial statements and reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This reportable condition was not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Port Gibson, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Therefore, there are no material weaknesses.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Port Gibson was not determined to be a low-risk auditee.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2006**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITIONS**

**06-01 Segregation of Duties**

Condition:

Presently, all accounting functions are performed by one individual, which limits segregation of duties.

Criteria:

Controls should be in place to separate incompatible duties.

Effect:

The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The result is the danger that intentional or unintentional errors could be made and not detected.

Recommendation:

Due to the size of the City, it may not be cost effective to hire additional personnel. The Mayor and Aldermen need to continue to approve payables during their monthly meetings. In addition, someone within this group should periodically receive and review the bank statements and canceled checks before turning them over to the City Clerk to prepare the bank reconciliations.

Response:

The Mayor and Aldermen/Alderwomen have hired a Contract Accounting to handle the bank reconciliations, corrections to the GL, and prepare financial for the City of Port Gibson. This action was to separate the duties of accounting from the City Clerk. The City still cannot afford a full-time accountant so they are contracting accounting services to a local accounting service.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

**NONE**



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**REPORT OF INDEPENDENT AUDITORS  
ON COMPLIANCE WITH LAWS  
AFFECTING MISSISSIPPI MUNICIPAL GOVERNMENT**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

We have audited the general purpose financial statements of the City of Port Gibson, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated April 18, 2008. 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*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state law and regulations. Our findings and recommendations and your responses are as follows:

**Physical Inventory of City's Fixed Assets** - A physical inventory of the City's assets has not been prepared.

**Recommendations:** In accordance with the Municipal Audit and Accounting Guide, fixed assets of the municipality should be tagged and accounted for at least annually. In anticipation of GASB 34 compliance and to better manage the City's assets, the City should delegate to a team of City employees the job of completing a physical inventory and preparing a physical inventory report in accordance with State of Mississippi Guidelines.

**Response:** The City will begin the process of performing a physical inventory of all assets. Sufficient data will be obtained on each asset to efficiently track assets throughout their life as well as begin the process of accumulating depreciation for compliance with GASB 34.

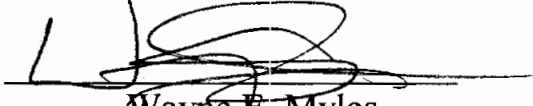
The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

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

THE MYLES CPA FIRM, PLLC  
Certified Public Accountants

BY:

  
Wayne E. Myles  
Certified Public Accountant  
FOR THE FIRM

Tupelo, Mississippi  
April 18, 2008

## SECTION III - MANAGEMENT LETTER



**THE MYLES CPA FIRM, PLLC**  
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## **Management Letter**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

In planning and performing our audit of the general purpose financial statements of the City of Port Gibson, Mississippi, for the year ended September 30, 2006, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency, these items are listed below. A separate report dated September 30, 2006, contains our report on reportable conditions in the City's internal control. This letter does not affect our report dated April 18, 2008, on the general purpose financial statements of the City of Port Gibson, Mississippi.

### **Cash reconciliations**

#### **Timely preparation**

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for all cash to supporting documentation on a monthly basis. During our audit, it was noted that three cash accounts were not reconciled and two of these accounts were not listed on the City's general ledger. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

#### **Approve and Then Set Up a File for All Bank Reconciliations**

At present, the details of the bank reconciling items are not kept in a centralized location. Further, there is no indication that a responsible official reviews or approves the reconciliation prepared. We recommend that a file be set up for the bank reconciliations together with detailed lists of all reconciling items, and that the reconciliations be preserved. The reconciliations should be reviewed and approved by an appropriate official.

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

As a prompt to the reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

### **Cash reconciliations –Continued**

#### **Investigate Differences between the Bank Statement Balance and the General Ledger**

We noted that in some bank reconciliation, there is a small difference between the bank balance and the general ledger. It is important for all cash accounts be reconciled to the penny. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. Also, if small differences are not reconciled on a monthly basis, over time, they can build up to a significant amount that will be difficult to reconcile. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

#### **Reconcile Intercompany Accounts Monthly**

Our audit procedures revealed that several of the intercompany accounts and transfers between funds were not in agreement and had not been reconciled in some time. As a result, a substantial amount of time was spent to reconcile these accounts. We believe that it would be more efficient to reconcile the accounts on a monthly basis rather than just at year-end, and we recommend that the City do so.

#### **Collateralization Form from State**

We noted during our audit procedures that the City had not reviewed the quarterly collateralization form submitted by the State Treasurer. Discrepancies were noted which included such items as not all City owned funds being listed, as well as incorrect bank balances being submitted by the respective financial institutions that handle the City's funds. We recommend that upon receipt of the collateralization form that an appropriate level of City personnel review the form for accuracy. A signature with a date should be required on the form to document this process. Discrepancies should be reported to the State of Mississippi Treasurer in writing, as well as notification to the Mayor and bank. Such a process would ensure that City funds have full insurance coverage or collateral securitization and thus reduce the City's risk of loss.

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

### **Vehicle Titles**

We noted that some titles of vehicles were located in vendor files. This document is the City's source of ownership and is critical upon sale or trade-in. We recommend that such documents be kept in a fire proof vault in case of fire/theft. A copy may be kept in the vendor's file if desired.

### **Inventory Fixed Assets**

We recommend that the City perform a physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes. In addition, in the fiscal year ending September 2006, the City would need to adopt GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement will make dramatic changes to the way state and local governments report their finances to the public. One major aspect of this statement will require capitalization of infrastructures with related depreciation.

### **Payment of Invoices by Due Dates**

The accounts payable system has the capability of listing payables by their due dates. However, the information is not being used. We recommend that the integrated accounting software package be used to track due date information. This will ensure that the vendors' terms are being met and maximized. Special attention should be made to paying the sales tax received on utility customers in a timely basis. We noted during our audit that some payments were two months in arrears.

### **Fuelman Purchases**

As noted in prior year, employees are not properly following procedures to ensure accurate tracking of fuel purchases through the Fuelman system. Examples include incorrect odometer readings, no odometer reading entered, or switching of cards between automobiles. We recommend another training program for applicable employees of the City on proper usage of cards by a Fuelman representative.

### **Correctly Code Expenditures**

During our review of certain payroll withholding accounts, we noted some inconsistencies in account coding of these withholdings. The errors were not material; nevertheless, to make the monthly financial statements a meaningful analysis tool, care should be taken to properly and consistently classify the disbursement. The correct coding of all expenditures and voided checks is essential for accurate and useful financial statements.

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

**Water Department**

**Water adjustments**

As noted in prior year, adjustments for water usage are presently only being made to dollar amounts. When the water clerks enter adjustments in dollars, we also recommend that they adjust the gallons charged. This will provide an audit trail for per gallon calculations, as well as determination by management of the water department of water shortage.

**Refund of deposits from utility customers**

A discussion needs to be conducted with the utility software supplier for the proper entering of transactions involving refunding of customers deposits as well as acceptance of deposits for a new customer or returning customer. If the transaction is entered properly at the origin then we feel that the software presently being utilized by this department would keep a more accurate listing of customer deposit liabilities.

**Allowance approval**

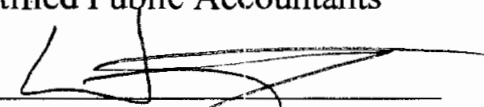
Per review of the transaction edit list, we noted that several accounts were made inactive during the year. It is recommended the Mayor and Alderman approves this procedure in the minutes prior to a clerk recording it in the utility system. Upon notification of approval by the Board, the clerk should enter the transaction in such a way that if the customer continues using the City's water or returns to the utility system this balance could be collected prior to resuming services.

**Fixed Asset Ledger**

The city has not established a fixed asset ledger according to state requirements. Appropriate personnel should review the audit and accounting guide from the state auditor's office and establish the fixed asset ledger accordingly.

THE MYLES CPA FIRM, PLLC  
Certified Public Accountants

BY:

  
Wayne E. Myles  
Certified Public Accountant  
FOR THE FIRM

Tupelo, Mississippi  
April 18, 2008

# **City of Port Gibson, Mississippi**

## **Response to Prior Year Management Letter**

1. **Cash Reconciliation:** The Mayor and the Board has contracted with an Accountant who is preparing cash reconciliation timely each month.
2. **Reconcile Intercompany Accounts monthly:** The Mayor and the Board have contracted with an Accountant who is reconciling Intercompany accounts each month.
3. **Collateralization Form from State:** The Mayor and the Board will review collateralization yearly to comply with this standard.
4. **Vehicle Titles:** The titles to all county vehicles are currently being kept in a fire proof vault in the City Hall.
5. **Inventory Fixed Assets:** The Mayor and the Board will contract to have an Inventory of all fixed assets for this current year.
6. **Payment of Invoices by Due Dates:** The Board has directed the Mayor to oversee that bill are paid timely.
7. **Fuelman Purchases:** The Board has directed the Mayor to correct in consistence in the purchase of fuel by employees.
8. **Correctly Code Expenditures:** The City Clerk is discussing coding with the Contract Accountant for accuracy. Also, the Contract Accounting is monitoring the expenditure coding each month based on the budget.
9. **Water Department:**
  - a. **Water Adjustment-**The Mayor has instructed the Water Clerk Manager to adjust the gallons as well as the dollar amount for customer usage. The Mayor is monitoring this situation monthly.
  - b. **Refund of deposits from utility customers -** This Finding has been resolved by the use of the new software. The City is currently entering transactions properly at the origin. Therefore, the customers deposit liability is accurate.
  - c. **Allowance approval -** The Mayor and Alderman/Alderwomen are approving the inactive list of water customer. This process has been implemented and is monitored by the Mayor.