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**TOWN OF EDWARDS, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**RECEIVED**  
**APR 08 2008**  
**STATE AUDITOR'S OFFICE**

TOWN OF EDWARDS, MISSISSIPPI  
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September 30, 2007

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

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

The Honorable Mayor R. L. Perkins  
and Honorable Members of the Board of Alderman  
Town of Edwards, 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 Town of Edwards, Mississippi (the Town), as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town'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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Edwards, Mississippi, as of September 30, 2007, and the respective changes in financial position, cash flows and budgetary comparison for the General Fund, and the Major Special Revenue Fund, 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 February 26, 2008, on our consideration of the Town of Edwards, 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 Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *general-purpose financial Statements and management's Discussion and Analysis for State and Local Governments*, as of September 30, 2007.

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 measurements 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 Town of Edwards, 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, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subject 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 introductory section have 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.

February 26, 2008

TOWN OF EDWARDS, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2007

This section of the Town of Edward's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2007. Because the Town 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 Town'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 Town'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 Town as a whole using accounting methods similar to those used by private-sector companies. The Town report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 1980) and all of the Town'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 Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town 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 Town'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.

TOWN OF EDWARDS, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2007

- ◆ **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 TOWN AS A WHOLE**

Because the Town 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>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>
<b><u>Assets:</u></b>						
Current and other assets	\$ 123,936	\$ 80,358	77,439	75,954	\$ 201,375	\$ 156,312
Capital assets	<u>156,097</u>	<u>192,778</u>	<u>2,459,359</u>	<u>2,487,351</u>	<u>2,615,456</u>	<u>2,680,129</u>
Total Assets	<u>\$ 280,033</u>	<u>\$ 273,136</u>	<u>2,536,798</u>	<u>2,563,305</u>	<u>\$ 2,816,831</u>	<u>\$ 2,836,441</u>
<b><u>Liabilities:</u></b>						
Current and other liabilities	\$ 63,292	\$ 68,921	101,916	87,633	\$ 165,208	\$ 156,554
Long-term liabilities	<u>13</u>	<u>27,735</u>	<u>408,316</u>	<u>429,814</u>	<u>408,329</u>	<u>457,549</u>
Total Liabilities	<u>\$ 63,305</u>	<u>\$ 96,656</u>	<u>510,232</u>	<u>517,447</u>	<u>\$ 573,537</u>	<u>\$ 614,103</u>
<b><u>Net Assets:</u></b>						
Invested in capital assets (net)	\$ 156,097	\$ 192,778	2,028,530	2,003,020	\$ 2,184,627	\$ 2,195,798
Restricted	-	-	35,227	33,625	35,227	33,625
Unrestricted	<u>60,632</u>	<u>(16,298)</u>	<u>(37,191)</u>	<u>9,213</u>	<u>23,441</u>	<u>(7,085)</u>
Total Net Assets	<u>\$ 216,729</u>	<u>\$ 176,480</u>	<u>2,026,566</u>	<u>2,045,858</u>	<u>\$ 2,243,295</u>	<u>\$ 2,222,338</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (71%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired after September 30, 2007 less any debt used to acquire assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

TOWN OF EDWARDS, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2007

An additional portion of the net assets (53%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders or requirements imposed by various revenue sources. The remaining unrestricted net assets (47%) may be used to meet the Town'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>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>
<b>Revenues:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 44,714	\$ 41,806	276,423	283,532	\$ 321,137	\$ 325,338
Operating grants and contributions	37,718	18,212	-	18,796	37,718	37,008
Capital grants and contributions	-	293,069	-	348,500	-	641,569
<b>General Revenue:</b>						
Property taxes	166,695	158,786	-	-	166,695	158,786
Sales taxes	70,211	65,893	-	-	70,211	65,893
Franchise taxes	20,254	26,017	-	-	20,254	26,017
Licenses and permits	3,109	4,555	-	-	3,109	4,555
Interest earnings	256	17	-	-	256	17
Fines and forfeits	9,807	10,160	-	-	9,807	10,160
Other	91,054	15,636	22,337	20,058	113,391	35,694
<b>Total Revenue</b>	<b>443,818</b>	<b>634,151</b>	<b>298,760</b>	<b>670,886</b>	<b>742,578</b>	<b>1,305,037</b>
<b><u>Program Expenses:</u></b>						
<b>General Government</b>						
Finance & administrative	121,816	121,092	-	-	121,816	121,092
Judicial	6,413	6,081	-	-	6,413	6,081
<b>Public Safety</b>						
Police protection	129,869	154,661	-	-	129,869	154,661
<b>Public Works</b>						
Streets	92,780	231,812	-	-	92,780	231,812
Summer youth enrichment	25,000	-	-	-	25,000	-
Interest on long term debt	2,652	-	-	-	2,652	-
Water/sewer	-	-	318,052	335,552	318,052	335,552
<b>Total Expenses</b>	<b>378,530</b>	<b>513,646</b>	<b>318,052</b>	<b>335,552</b>	<b>696,582</b>	<b>849,198</b>

TOWN OF EDWARDS, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2007

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total</u>	
	<u>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Increase in Net Assets Before Transfers and Special Items	\$ 65,288	\$ 120,505	(19,292)	335,334	\$ 45,996	\$ 455,839
	<u>-</u>	<u>(1,690)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,690)</u>
Change in Net Assets	65,288	118,815	(19,292)	335,334	45,996	454,149
Net Assets Beginning	176,480	9,603	2,045,858	1,706,517	2,222,338	1,716,120
Prior period adjustment	<u>(25,039)</u>	<u>850</u>	<u>-</u>	<u>4,007</u>	<u>(25,039)</u>	<u>4,857</u>
Net Assets Ending	<u>\$ 216,729</u>	<u>\$ 129,268</u>	<u>2,026,566</u>	<u>2,045,858</u>	<u>\$ 2,243,295</u>	<u>\$ 2,175,126</u>

Governmental activities increased the Town's net assets by \$40,249. The increase is attributable to a decrease in government spending.

Business-type activities operated at a loss; however, business-type net assets have decreased by \$19,292 due to a decrease in governmental grants.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town's governmental funds reported combined fund balances of \$216,729, which represents an increase of \$40,249 in comparison to the previous balance. In addition, the Town's general fund, which is available for spending at the Town's discretion, reported a fund balance of \$61,266.

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

GENERAL FUND BUDGET HIGHLIGHTS

The Town'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 preceding section.

TOWN OF EDWARDS, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2007

CAPITAL ASSET ADMINISTRATION

The Town did not acquire any additional capital assets during the year.

DEBT ADMINISTRATION

The Town did not issue any new debt during the year.

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Net Assets  
For the Year Ended September 30, 2007

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,966	18,691	\$ 48,657
Cash, time deposits	56,056	-	56,056
Accounts receivable, net	22,729	22,521	45,250
Other receivables	5,454	-	5,454
Intergovernmental receivables	6,111	-	6,111
Due from other funds	3,620	12,313	15,933
Restricted Assets:			
Cash and cash equivalents	-	23,914	23,914
Capital Assets:			
Land	12,421	13,500	25,921
Buildings	139,003	-	139,003
Infrastructure	4,673	2,445,859	2,450,532
<b>TOTAL ASSETS</b>	<b><u>\$ 280,033</u></b>	<b><u>2,536,798</u></b>	<b><u>\$ 2,816,831</u></b>
<b>LIABILITIES</b>			
Accounts payable, general	\$ 32,112	28,221	\$ 60,333
Accrued interest payable	-	6,299	6,299
Customer's deposits	-	31,858	31,858
Due to other funds	1,000	11,313	12,313
Noncurrent liabilities:			
Due within one year	30,180	24,225	54,405
Due in more than one year	13	408,316	408,329
<b>Total Liabilities</b>	<b><u>63,305</u></b>	<b><u>510,232</u></b>	<b><u>573,537</u></b>
<b>Net ASSETS:</b>			
Investment in capital assets, net of related debt	156,097	2,028,530	2,184,627
Restricted for:			
Debt service	-	35,227	35,227
Unreserved undesignated	60,632	(37,191)	23,441
<b>Total Net Assets</b>	<b><u>216,729</u></b>	<b><u>2,026,566</u></b>	<b><u>2,243,295</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 280,034</u></b>	<b><u>2,536,798</u></b>	<b><u>\$ 2,816,832</u></b>

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

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2007

	Program Revenues			Net (Expenses) Revenues Changes in Net Assets			Total
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
Administration	\$ 121,816	-	3,901	-	(117,915)	-	\$ (117,915)
Judicial	6,413	-	-	-	(6,413)	-	(6,413)
Public safety	129,869	-	8,817	-	(121,052)	-	(121,052)
Public works	92,780	44,714	-	-	(48,066)	-	(48,066)
Summer youth enrichment	25,000	-	25,000	-	-	-	-
Interest on long-term debt	2,652	-	-	-	(2,652)	-	(2,652)
Total governmental activities	<u>378,530</u>	<u>44,714</u>	<u>37,718</u>	<u>-</u>	<u>(296,098)</u>	<u>-</u>	<u>(296,098)</u>
<b>Business-type activities:</b>							
Water/Sewer	318,052	276,423	-	-	-	(41,329)	(41,629)
Total Business-type activities	<u>318,052</u>	<u>276,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,329)</u>	<u>(41,629)</u>
Total Primary Government	<u>\$ 696,582</u>	<u>321,137</u>	<u>37,718</u>	<u>-</u>	<u>(296,098)</u>	<u>(41,329)</u>	<u>\$ (337,727)</u>
<b>General Revenues:</b>							
Property taxes					\$ 166,695	-	\$ 166,695
Sales taxes					70,211	-	70,211
Franchise taxes					20,254	-	20,254
Fines and report fees					9,807	-	9,807
License and permits					3,109	-	3,109
Miscellaneous					91,054	22,337	113,391
Unrestricted investment earnings					256	-	256
Total general revenues, special items, and transfers					<u>361,386</u>	<u>22,337</u>	<u>383,723</u>
Change in net assets					65,288	(19,292)	45,996
Net Assets - Beginning					176,480	2,045,858	2,222,338
Prior period adjustments					(25,039)	-	(25,039)
Net Assets - Ending					<u>\$ 216,729</u>	<u>2,026,566</u>	<u>\$ 2,243,295</u>

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

TOWN OF EDWARDS, MISSISSIPPI  
 Reconciliation Balance Sheet - Governmental Funds  
 Statement of Net Assets  
 September 30, 2007

Total Fund Balances - Governmental Funds \$ 89,134

Amounts reported for net assets in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	298,873	
Less Accumulated Depreciation	<u>(142,776)</u>	156,097

Liabilities not due and payable in the current period are not reported in the funds, as follows:

Long-term liabilities	30,193	
Other adjustments	<u>(58,695)</u>	<u>(28,502)</u>

Total Net Assets \$ 216,729

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

TOWN OF EDWARDS, MISSISSIPPI  
 Balance Sheet  
 Governmental Funds  
 For the Year Ended September 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 2,098	27,868	\$ 29,966
Cash, time deposits (Note 2)	56,056	-	56,056
Accounts receivable, net of allowances	22,729	-	22,729
Other receivables	5,454	-	5,454
Intergovernmental receivable	6,111	-	6,111
Due from other funds	1,930	-	1,930
<b>TOTAL ASSETS</b>	<b>\$ 94,378</b>	<b>27,868</b>	<b>\$ 122,246</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts payable, general	\$ 32,112	-	\$ 32,112
Due to other funds	1,000	-	1,000
<b>Total Liabilities</b>	<b>33,112</b>	<b>-</b>	<b>33,112</b>
<b>Fund Balance</b>			
Unreserved, reported in			
General fund	61,266	-	61,266
Special revenue fund	-	27,868	27,868
<b>Total Fund Equity</b>	<b>61,266</b>	<b>27,868</b>	<b>89,134</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 94,378</b>	<b>27,868</b>	<b>\$ 122,246</b>

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

TOWN OF EDWARDS, MISSISSIPPI  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
General property taxes	\$ 166,695	-	\$ 166,695
Privilege licenses and permits	3,109	-	3,109
Intergovernmental revenues	103,859	6,374	110,233
Franchise taxes	20,254	-	20,254
Charges for services	44,714	-	44,714
Fines and report fees	9,807	-	9,807
Interest income	256	-	256
Miscellaneous	<u>83,252</u>	<u>-</u>	<u>83,252</u>
Total Revenues	<u>431,946</u>	<u>6,374</u>	<u>438,320</u>
<b>EXPENDITURES:</b>			
General Government:			
Administration	117,395	-	117,395
Judicial	6,413	-	6,413
Public safety	128,033	1,346	129,379
Public works	91,898	-	91,898
Summer youth enrichment	25,000	-	25,000
Debt services:			
Principal	24,152	-	24,152
Interest and service charges	2,652	-	2,652
TOTAL EXPENDITURES	<u>395,543</u>	<u>1,346</u>	<u>396,889</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>36,403</u>	<u>5,028</u>	<u>41,431</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of fixed assets	8,500	-	8,500
Operating transfers in	719	-	719
Operating transfers out	<u>(2,409)</u>	<u>-</u>	<u>(2,409)</u>
Total Other Financing Sources (Uses)	<u>6,810</u>	<u>-</u>	<u>6,810</u>
Net Change in Fund Balances	43,213	5,028	48,241
FUND BALANCE, OCT. 1	<u>18,053</u>	<u>22,840</u>	<u>40,893</u>
FUND BALANCE, SEPT. 30	<u>\$ 61,266</u>	<u>27,868</u>	<u>\$ 89,134</u>

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

TOWN OF EDWARDS, MISSISSIPPI  
 Reconciliation of the Statement of Revenues  
 Expenditures, and Changes in Net Assets Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended September 30, 2007

	<b>AMOUNTS</b>
Net change in fund balances	\$ 48,241
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	8,641
In the Statement of Activities, only gains and losses from the sale of capital assets are reported. whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Gains (losses) on the sale of capital assets	8,500
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences decrease	(94)
Change in net assets of governmental activities	\$ 65,288

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

TOWN OF EDWARDS, MISSISSIPPI  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 168,342	166,671	166,695	\$ 24
Privilege licenses and permits	3,700	3,109	3,109	-
Intergovernmental revenues	97,443	104,444	103,859	(585)
Franchise taxes	24,800	20,254	20,254	-
Charges for services	45,892	44,714	44,714	-
Fines and report fees	10,000	9,805	9,807	2
Interest	38	38	256	218
Miscellaneous	<u>82,696</u>	<u>82,556</u>	<u>83,252</u>	<u>696</u>
<b>TOTAL REVENUES</b>	<u>432,911</u>	<u>431,591</u>	<u>431,946</u>	<u>355</u>
<b>OPERATING DISBURSEMENTS:</b>				
General Government				
Administration	122,057	117,547	117,395	152
Judicial	6,163	6,413	6,413	-
Public Safety				
Police protection	133,061	128,068	128,033	35
Public Works				
Streets improvements	91,948	91,875	91,898	(23)
Summer Youth Enrichment	24,999	24,999	25,000	(1)
Debt service	<u>27,005</u>	<u>26,804</u>	<u>26,804</u>	<u>-</u>
<b>Total Expenditures</b>	<u>405,233</u>	<u>395,706</u>	<u>395,543</u>	<u>163</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>27,678</u>	<u>35,885</u>	<u>36,403</u>	<u>518</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	15,673	-	719	719
Operating transfer out	-	-	(2,409)	(2,409)
Sale of real property/equipment	<u>8,500</u>	<u>8,500</u>	<u>8,500</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>24,173</u>	<u>8,500</u>	<u>6,810</u>	<u>(1,690)</u>
Net Change in Fund Balances	51,851	44,385	43,213	(1,172)
Fund Balance at beginning of year	<u>2,323</u>	<u>-</u>	<u>81,483</u>	<u>81,483</u>
<b>Fund Balance at end of year</b>	<u>\$ 54,174</u>	<u>44,385</u>	<u>124,696</u>	<u>\$ 80,311</u>

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

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2007

	<u>Business Type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Water/Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 18,691	-	\$ 18,691
Accounts receivable, net of allowances	22,521	-	22,521
Due from other funds	<u>1,000</u>	<u>11,313</u>	<u>12,313</u>
<b>Total Current Assets</b>	<u>42,212</u>	<u>11,313</u>	<u>53,525</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	<u>-</u>	<u>23,914</u>	<u>23,914</u>
<b>Property, Plant and Equipment, at Cost</b>			
Land	13,500	-	13,500
Water plant, distribution system and equipment	<u>2,608,087</u>	<u>-</u>	<u>2,608,087</u>
	2,621,587	-	2,621,587
Less: accumulated depreciation	<u>(162,228)</u>	<u>-</u>	<u>(162,228)</u>
Net property, plant and equipment	<u>2,459,359</u>	<u>-</u>	<u>2,459,359</u>
<b>Total Assets</b>	<u>\$ 2,501,571</u>	<u>35,227</u>	<u>\$ 2,536,798</u>
<b>Liabilities and Net Assets</b>			
Accounts payable	\$ 28,221	-	\$ 28,221
Due to other funds	11,313	-	11,313
Notes payable	<u>1,712</u>	<u>-</u>	<u>1,712</u>
<b>Total Current Liabilities</b>	<u>41,246</u>	<u>-</u>	<u>41,246</u>
<b>Current Liabilities Payable from Restricted Assets:</b>			
Customer deposits	31,858	-	31,858
Accrued interest payable	6,299	-	6,299
Current portion of revenue bonds payable	<u>22,513</u>	<u>-</u>	<u>22,513</u>
<b>Total Current Liabilities Payable from Restricted Assets</b>	<u>60,670</u>	<u>-</u>	<u>60,670</u>
<b>Long-Term Debt (less amounts classified as current)</b>			
Revenue bonds (net of unamortized discount/ premium)	<u>408,316</u>	<u>-</u>	<u>408,316</u>
<b>Total Long-Term Debt</b>	<u>408,316</u>	<u>-</u>	<u>408,316</u>
<b>Total Liabilities</b>	<u>510,232</u>	<u>-</u>	<u>510,232</u>
<b>Net Assets</b>			
Investment in Capital Assets, net of related debt	2,028,530	-	2,028,530
Restricted for debt service	-	35,227	35,227
Unrestricted	<u>(37,191)</u>	<u>-</u>	<u>(37,191)</u>
<b>Total Net Assets</b>	<u>1,991,339</u>	<u>35,227</u>	<u>2,026,566</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,501,571</u>	<u>35,227</u>	<u>\$ 2,536,798</u>

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

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2007

	<u>Business -Type Activities - Enterprise Funds</u>		
	<u>Water/Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating Revenues:			
Sales to customers	\$ <u>276,423</u>	<u>-</u>	\$ <u>276,423</u>
Total Operating Revenues	<u>276,423</u>	<u>-</u>	<u>276,423</u>
Operating Expenses:			
Personnel services	49,790	-	49,790
Supplies	3,737	-	3,737
Other services and charges	213,652	-	213,652
Provision for bad debt	-	-	-
Depreciation	<u>27,992</u>	<u>-</u>	<u>27,992</u>
Total Operating Expenses	<u>295,171</u>	<u>-</u>	<u>295,171</u>
Operating income (loss)	<u>(18,748)</u>	<u>-</u>	<u>(18,748)</u>
Nonoperating revenues (expenses)			
Contribution from federal grant	-	-	-
Other income	22,337	-	22,337
Interest and service charges on long-term debt	<u>(22,881)</u>	<u>-</u>	<u>(22,881)</u>
Total nonoperating revenues	<u>(544)</u>	<u>-</u>	<u>(544)</u>
Net Income Before Operating Transfers	(19,292)	-	(19,292)
Operating Transfers In	-	1,602	1,602
Operating Transfers (Out)	<u>(1,602)</u>	<u>-</u>	<u>(1,602)</u>
Net Income (loss)	<u>(20,894)</u>	1,602	<u>(19,292)</u>
Retained Earnings October 1	<u>2,012,233</u>	<u>33,625</u>	<u>2,045,858</u>
Retained Earnings/Fund Balance September 30	<u>\$ 1,991,339</u>	<u>35,227</u>	<u>\$ 2,026,566</u>

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

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended September 30, 2007

	Business - Type Activities Enterprise Fund		
	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 276,423	-	\$ 276,423
Payments to suppliers	(217,389)	(7,013)	(224,402)
Payments to employees	(49,790)	-	(49,790)
Net cash provided by (used for) operating activities	9,244	(7,013)	2,231
 (Increase) Decrease in:			
Accounts receivable	1,922	-	1,922
Cash, time deposits	(6,703)	-	(6,703)
Due from other funds	6,673	-	6,673
 Increase (Decrease) in:			
Accounts payable	16,635	-	16,635
Due to other funds	4,423	-	4,423
Sale taxes payable	1	-	1
Customer's deposits	928	-	928
Accrued interest payable	(1,138)	-	(1,138)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>22,741</b>	<b>-</b>	<b>22,741</b>
 <b>CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers in	-	1,602	1,602
Operating transfers out	(1,602)	-	(1,602)
Prior period adjustment	-	-	-
<b>NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES</b>	<b>(1,602)</b>	<b>1,602</b>	<b>-</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Other investing activities	6,705	-	6,705
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>6,705</b>	<b>-</b>	<b>6,705</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from long term borrowing	-	-	-
Interest paid on retirement of long-term debt	(22,881)	-	(22,881)
Other income	22,337	-	22,337
Repayment of long-term debt	(32,366)	-	(32,366)
<b>NET CASH FLOWS USED BY FINANCING ACTIVITIES</b>	<b>(32,910)</b>	<b>-</b>	<b>(32,910)</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,178</b>	<b>(5,411)</b>	<b>(1,233)</b>
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>14,513</b>	<b>29,325</b>	<b>43,838</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 18,691</b>	<b>23,914</b>	<b>\$ 42,605</b>
 <b>Supplemental cash flow information:</b>			
Cash paid during the year:			
Interest expense	\$ 24,018	-	\$ 24,018

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

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town'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 Town's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

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

FINANCIAL STATEMENTS

The 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 Town only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the Town'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 Town as a 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.

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

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 Town'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.

#### MAJOR BUSINESS - TYPE FUNDS

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

Sewer System - The sewer system fund is used to account for the operation of the Town'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

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

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

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

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

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.

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 Town.

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 Town does not accumulate unpaid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.

TOWN OF EDWARDS, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2007

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

The carrying amount of the Town's deposits with financial institutions in the governmental activities and the business-type activities funds was \$86,022 and \$42,605, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$104,713 and Restricted Assets - \$23,914. 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 \$133,921.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, 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 Town. As of September 30, 2007, none of the Town's bank balance of \$133,921 was exposed to custodial credit risk.

*Interest Rate Risk.* The Town 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 Town 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 Town does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer 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 Town. As of September 30, 2007, none of the Town's bank balance of \$133,921 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, 2007, the Town had no investments.

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

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, 2007, the Town levied and collected 30.00 mills of taxes for general corporate purposes of the Town.

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual fund interfund receivable and payable balances are presented as of September 30, 2007 as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ -	\$ 1,000
Water/Sewer System Fund	1,000	-
Total	<u>\$ 1,000</u>	<u>\$ 1,000</u>

NOTE 5 - RECEIVABLES

Receivables at September 30, 2007 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Accounts Receivable</u>		
Charges for services	\$ 4,506	\$ 31,054
Franchise taxes	5,454	-
Property taxes	16,944	-
Accounts receivable, other	1,871	-
Total Accounts Receivable	<u>28,775</u>	<u>31,054</u>
<u>Due From Other Governments</u>		
Sales Taxes	6,111	-
Total due from other governments	<u>6,111</u>	<u>-</u>
Less: allowance for uncollectibles	<u>(1,332)</u>	<u>(8,695)</u>
Receivables, net of allowance	<u>\$ 33,554</u>	<u>\$ 22,359</u>

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

NOTE 6 - CAPITAL ASSETS

A summary of capital asset transactions for the year ended September 30, 2007 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
Non Depreciable Capital Assets				
Land	\$ 12,421	-	-	\$ 12,421
Total non depreciable capital assets	<u>12,421</u>	<u>-</u>	<u>-</u>	<u>12,421</u>
Depreciable Capital Assets				
Buildings and Improvements	241,742	-	-	241,742
Infrastructure	18,693	-	-	18,693
Motor Vehicles	19,941	-	-	19,941
Machinery and Equipment	<u>6,076</u>	<u>-</u>	<u>-</u>	<u>6,076</u>
Total Depreciable Capital Assets	286,452	-	-	286,452
Accumulated Depreciation	<u>(136,003)</u>	<u>(8,641)</u>	<u>-</u>	<u>(144,644)</u>
Net depreciable capital assets	<u>150,449</u>	<u>(8,641)</u>	<u>-</u>	<u>141,808</u>
Total Governmental Activities	<u>\$ 162,870</u>	<u>(8,641)</u>	<u>-</u>	<u>\$ 154,229</u>
<b>Business-Type Activities:</b>				
Non Depreciable Capital Assets				
Land and Right of Ways	\$ 13,500	-	-	\$ 13,500
Total nondepreciable capital assets	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>13,500</u>
Depreciable Capital Assets				
Water/sewer system	2,259,587	-	-	2,259,587
Accumulated Depreciation	<u>(134,236)</u>	<u>(27,992)</u>	<u>-</u>	<u>(162,228)</u>
Net depreciable capital assets	<u>2,125,351</u>	<u>(27,992)</u>	<u>-</u>	<u>2,097,359</u>
Total Business-Type Activities	<u>\$2,138,851</u>	<u>(27,992)</u>	<u>-</u>	<u>\$2,110,859</u>

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

	Governmental Activities	Business-Type Activities	Total
Finance & Administrative	\$ 7,426	-	\$ 7,426
Public Works	1,215	-	1,215
Water/Sewer System	-	27,992	27,992
Total Depreciation Expense	<u>\$ 8,641</u>	<u>27,992</u>	<u>\$ 36,633</u>

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

**NOTE 7 - LONG-TERM DEBT**

A summary of long-term debt transactions for the year ended September 30, 2007, were as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 52,504	-	(24,782)	\$ 27,722	\$ 17,081
Compensated for absences	<u>4,675</u>	<u>3,711</u>	<u>(5,928)</u>	<u>2,458</u>	<u>2,458</u>
Totals	<u>\$ 57,179</u>	<u>3,711</u>	<u>(30,710)</u>	<u>\$ 30,180</u>	<u>\$ 19,539</u>

Long-term debt activity for the year ended September 30, 2007, is presented as follows:

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and loans payable					
Loans payable	\$ 11,872	-	(10,160)	\$ 1,712	\$ 1,712
Revenue bonds	<u>453,035</u>	<u>-</u>	<u>(22,970)</u>	<u>430,065</u>	<u>24,036</u>
Totals	<u>\$ 464,907</u>	<u>-</u>	<u>(33,130)</u>	<u>\$ 431,777</u>	<u>\$ 25,748</u>

**BANK NOTES PAYABLE**

**GOVERNMENTAL ACTIVITIES**

Notes payable consist of the following at September 30, 2007.

A 5.00% note, payable to Bancorp South, dated May 23, 2006 payable in monthly installments of \$1,360.32, which includes principal and interest, matures April 23, 2009. The note is unsecured.

The annual requirement to amortize this outstanding debt as of September 30, 2007 including interest payments of \$26,010 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,369	\$ 955
2009	<u>10,641</u>	<u>200</u>
	<u>\$ 26,010</u>	<u>\$ 1,155</u>

A 4.420% note, payable to Bancorp South, dated November 14, 2005 payable in monthly installments of \$873.40, which includes principal and interest, matures November 15, 2007. The note is unsecured.

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

The annual requirement to amortize this outstanding debt as of September 30, 2007 including interest payments of \$1,712 are as follows:

Year Ended September 30, 2008	Principal	Interest
	\$ <u>1,712</u>	\$ <u>10</u>
	\$ <u>1,712</u>	\$ <u>10</u>

**BUSINESS ACTIVITIES**

A 4.420% note, payable to Bancorp South, dated November 14, 2005 payable in monthly installments of \$873.40, which includes principal and interest, matures November 15, 2007. The note is unsecured.

The annual requirement to amortize this outstanding debt as of September 30, 2007 including interest payments of \$1,712 are as follows:

Year Ended September 30, 2008	Principal	Interest
	\$ <u>1,712</u>	\$ <u>10</u>
	\$ <u>1,712</u>	\$ <u>10</u>

**REVENUE BOND**

- A. On April 15, 1985, the Town of Edwards issued a Combined Water and Sewer System Revenue Bond (the "Bond") of the Town of Edwards, Mississippi (the "Municipality"), in the principal amount of five hundred forty five thousand dollars (\$545,000), dated the date of delivery thereof, April 15, 1985, bearing interest at the rate of 5% per annum and being payable as to interest only on the 15th day of April in each of the years 1986 and 1987, and being payable as to principal and interest in equal annual installments of \$29,450 on the 15th day of April in each of the years 1988 to 2020, inclusive.

The bond was issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authority of the Constitution and statutes of the State of Mississippi, including Sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and by further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the Town of Edwards.

TOWN OF EDWARDS, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2007

This bond was purchased by the USDA Rural Development.

The annual requirement to amortize all bonded debt outstanding as of September 30, 2007 including interest payments of \$305,382 are as follows:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2008	\$ 18,350	\$ 15,712
2009	19,335	14,728
2010	20,326	13,736
2011	21,369	12,694
2012	22,432	11,631
2013 to 2020	<u>203,570</u>	<u>46,635</u>
	<u>\$ 305,382</u>	<u>\$ 115,136</u>

- B. On January 23, 1991, the Town of Edwards issue a combined water and sewer system revenue bond (the "Bond") of the Town of Edwards, Mississippi (the "Municipality"), in the principal amount of one hundred sixty eight thousand five hundred dollars (\$168,500), dated the date of delivery thereof, January 23, 1991. The water revenue bond consisted of an issue in the amount of \$168,500 bearing interest at a rate of 6.00% per annum. Principal payments with interest on the unpaid principal balance from date thereof, and paid in equal annual installments of principal and interest in the amount of \$986.85. The payments began on February 23, 1991 and continues through 2026.

The bonds were issued for the purpose of improving, repairing and extending the combined water and sewer system of the Municipality, under the authorization of the Constitution and statutes of the State of Mississippi, including sections 21-27-11 to 21-27-69 Mississippi Code of 1972 and further authority of resolutions duly adopted and proceedings regularly had by the Mayor and Board of Aldermen of the Town of Edwards.

The bonds were purchased by the U.S. Department of Agriculture and the Rural Economic and Community Development.

The annual requirement to amortize the bonded debt outstanding as of September 30, 2007 including interest payments of \$125,447 are as follows for the Enterprise Fund:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,686	\$ 6,156
2009	5,995	5,847
2010	6,303	5,540
2011	6,626	5,217
2012	7,013	4,829
2013 to 2026	<u>93,824</u>	<u>27,867</u>
	<u>\$ 125,447</u>	<u>\$ 55,456</u>

TOWN OF EDWARDS, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2007

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

Substantially all Town full-time employees participates 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 members are required to contribute 7.25% of their annual covered salary and the Town of Edwards 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 Town's contributions to PERS for the fiscal years ended September 30, 2007, 2006 and 2005 was \$4,830, \$4,454, and \$4,234, respectively, which equaled the required contributions for the year.

**NOTE 9 - COMPENSATION OF ELECTED AND OR APPOINTED OFFICIALS**

Per diem payments to the Board of Aldermen and salaries paid to the Mayor for the year ended September 30, 2007 were as follows:

	<u>Position</u>	<u>Amount</u>
R. L. Perkins	Mayor	\$ 7,200
Robert Smith	Alderman	5,040
Willie V. Crump	Alderwoman	3,600
Karl Vriesen	Alderman	3,600
Wilson Jones	Alderman	3,600
Ira Thompson	Alderwoman	3,600
Willie Jean White	Town Clerk	30,000
Willie Jean White	Court Clerk	900
Nancy Duren	Deputy Clerk	17,000
Louis Johnson	Police Chief	23,566

TOWN OF EDWARDS, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2007

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Town has been named as a defendant in several lawsuits as of September 30, 2007. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the Town's liability. Losses, if any, are not expected to exceed available insurance coverage.

NOTE 11 - RESERVED FUND BALANCES AND RETAINED EARNINGS

Various bond covenants require the Town 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 Town 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. Hinds County bill and collect the real, personal and ad valorem taxes for the Town of Edwards, Mississippi. The taxes are remitted to the Town 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.

TOWN OF EDWARDS, MISSISSIPPI

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2007



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

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Honorable Mayor R. L. Perkins  
and Honorable Members of the Board of Alderman  
Town of Edwards, Mississippi

Our report on our audit of the basic financial statements of the Town of Edwards, Mississippi for the year ended September 30, 2007 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 basic financial statements. Such information has 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 whole.

*Banks, Finley, White & Co.*

February 26, 2008

TOWN OF EDWARDS, MISSISSIPPI  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2007

	<u>Fire Fund</u>
ASSETS	
Cash	\$ <u>27,868</u>
TOTAL ASSETS	\$ <u>27,868</u>
LIABILITIES AND FUND BALANCES	
Fund Balances:	
Unreserved	
Undesignated	<u>27,668</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>27,668</u>

TOWN OF EDWARDS, MISSISSIPPI  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2007

	<u>Fire Fund</u>
Revenues	
Intergovernmental revenues	\$ <u>6,375</u>
Total Revenues	<u>6,375</u>
Expenditures	
Public safety	<u>1,547</u>
Total Expenditures	<u>1,547</u>
Excess (Deficiency) of Revenues Over (Under )Expenditures	<u>4,828</u>
Net Change in Fund Balance	4,828
Fund Balance, October 1, 2006	<u>22,840</u>
Fund Balance, September 30, 2007	<u>\$ 27,668</u>

## SCHEDULE C

TOWN OF EDWARDS, MISSISSIPPI  
Schedule of Surety Bonds for Municipal Officials  
September 30, 2007

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
R. L. Perkins	Mayor	U S F & G	\$ 25,000
Robert Smith	Alderman	U S F & G	5,000
Willie V. Crump	Alderwoman	U S F & G	5,000
Karl Vriesen	Alderman	U S F & G	5,000
Wilson Jones	Alderman	U S F & G	5,000
Ira Thompson	Alderwoman	U S F & G	5,000
Willie Jean White	Town Clerk	U S F & G	50,000
Willie Jean White	Court Clerk	U S F & G	10,000
Nancy Duren	Deputy Clerk	U S F & G	10,000
Nancy Duren	Deputy Court Clerk	U S F & G	10,000
Louis Johnson	Police Chief	U S F & G	50,000



**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 R L Perkins  
and Honorable Members of the Board of Alderman  
Town of Edwards, 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 Town of Edwards, Mississippi (the City), as of and for the year ended September 30, 2007, which collectively comprise the Town of Edwards, Mississippi's basic financial statements and have issued our report thereon dated February 26, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Edwards, Mississippi's, internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Edwards, Mississippi's, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Edwards, Mississippi's, internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Edwards, 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 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 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.*  
February 26, 2008



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

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor R L Perkins  
and Honorable Members of the Board of Alderman  
Town of Edwards, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the Town of Edwards, Mississippi (the Town) as of and for the year ended September 30, 2007, which collectively comprise the town's basic financial statements and have issued our report thereon dated February 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 state laws and regulations and our our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information 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. However, this report is a matter of public record and its distribution is not limited.

*Banks, Finley, White & Co.*

February 26, 2008

TOWN OF EDWARDS, MISSISSIPPI  
Statement of Legal Debt Limit  
September 30, 2007

Authorized Debt Limit Percent Rule

	15%	20%
Authorized Debt Limit Percent		
2006 Tax Roll Estimation	\$ 4,038,987	\$ 4,038,987
Less: Homestead Exemption	(11,380)	(11,380)
Net 2006 Estimation Tax Roll	\$ 4,027,607	\$ 4,027,607
 Assessed Valuation under respective debt limit	 \$ 604,141	 \$ 805,521
Less: All Bonded Indebtness	430,065	430,065
Deduct: Authorized Exemptions		
Water/Sewer Revenue Bonds	430,065	430,065
 Margin for further debt under respective debt limits	 \$ 604,141	 \$ 805,521

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.