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CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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AUDITED FINANCIAL STATEMENTS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of the City of Ellisville's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

The City has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The City is committed to maintaining sound fiscal management to meet the challenges of the future.

The City's ending cash balance increased by \$262,815, which represents an increase of 27.9% from the prior fiscal year.

The City had \$4,384,030 in total revenues, a decrease of 10.7% from the prior fiscal year. Tax revenues account for \$1,632,249 or 37.2% of total revenues.

The City had \$2,591,696 in total expenses, a decrease of 13.7% from the prior fiscal year. Expenses in the amount of \$1,142,205 were offset by operating grants and capital grants. Gross revenues were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$3,740,248 in revenues and \$3,070,054 in expenditures. The General Fund's fund balance increased \$670,194 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,041,966.

Long-term debt increased by \$24,290.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements and (3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain.

The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 1 – Required Components of the City's Annual Report

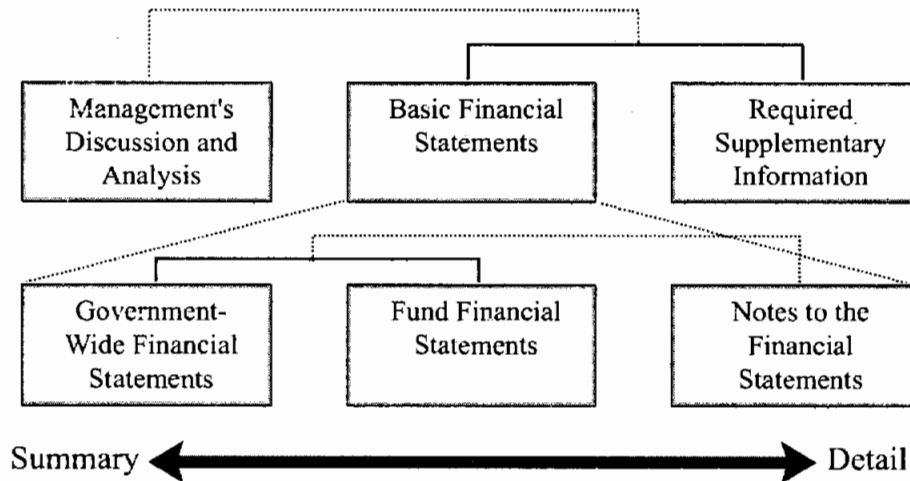


Figure 2 – Major Features of the City's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses.

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

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

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works; culture and recreation; economic development authority; and interest on long-term debt. The business-type activities of the City include water and sewer services.

The Government-wide Financial Statements can be found on Exhibits 1 and 2 of this report.

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 uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on Exhibits 3.1 and 4.1 respectively.

The City maintains individual governmental funds in accordance with the *Municipal Audit and Accounting Guide* issued by the Office of the State Auditor. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on Exhibits 3 and 4 of this report.

Proprietary funds. The City's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City uses enterprise funds to account for the water and sewer service.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Water and Sewer Fund is considered to be a major fund of the City.

The proprietary funds financial statements can be found on Exhibits 5, 6, and 7 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the exhibits in this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund and the Water and Sewer Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of the government's financial position. In the case of the City of Ellisville, assets exceeded liabilities by \$9,571,294 as of September 30, 2007.

The largest portion of the City's net assets (68.5%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, utility systems and construction in progress) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens.

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2007.

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Current Assets	\$ 2,226,904	\$ 1,036,874
Capital Assets (net of accumulated depreciation)	2,236,631	5,932,043
Total Assets	<u>4,463,535</u>	<u>6,968,917</u>
Current Liabilities	464,517	209,979
Non-Current Liabilities	381,893	804,769
Total Liabilities	<u>846,410</u>	<u>1,014,748</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,415,829	5,131,976
Unrestricted	2,201,296	822,193
Total Net Assets	<u>\$ 3,617,125</u>	<u>\$ 5,954,169</u>

Changes in Net Assets – The City’s total revenues for the fiscal year ended September 30, 2007 were \$4,384,030. The total cost for all services provided was \$2,951,696. The increase in net assets was \$1,432,334. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007.

Program Revenues:	
Charges for Services	\$ 988,030
Grants	1,142,205
General Revenues:	
Property Taxes	485,377
Franchise Taxes	296,604
Sales Tax	850,268
Licenses and Permits	60,775
Intergovernmental, not Restricted to Specific Functions/Programs	67,754
Fines and Forfeits	276,988
Other Revenue	216,029
Total Revenue	<u>4,384,030</u>
Governmental Activities:	
General Government	358,965
Public Safety	682,736
Public Works	741,841
Health and Welfare	185,763
Culture and Recreation	40,400
Economic Development Authority	26,000
Interest	14,142
Business-Type Activities:	
Water & Sewer	<u>901,849</u>
Total Functions/Programs	<u>2,951,696</u>
Increase in Net Assets	<u>\$ 1,432,334</u>

Governmental Activities – The following table presents the cost of three major functional activities of the City: General Government, Public Safety, Public Works. The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

	Total Costs	Net Costs (Revenue)
General Government	\$ 358,965	\$ 351,846
Public Safety	682,736	650,587
Highways and Streets	741,841	(167,128)

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental funds – At the close of the fiscal year, the City’s governmental funds reported a combined fund balance of \$1,762,387, an increase of \$351,982.

Business-type funds – Operating revenues from the City’s Water and Sewer Fund increased by 9.6% to \$796,378 and operating expenses increased by 22% to \$886,819.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, the City made revisions to its operating budget.

Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and the Water and Sewer Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2007, the City's total capital assets was \$12,171,979. This includes land, buildings, mobile equipment, furniture and equipment, infrastructure, utility systems and construction in progress.

Total accumulated depreciation as of September 30, 2007 was \$4,003,305, including \$268,755 of depreciation expense for the year. The balance in total net capital assets was \$8,168,674 at year-end.

Additional information on the City's capital assets can be found in Note 3 of this report.

Debt Administration – At September 30, 2007, the City had \$1,146,662 in long-term debt outstanding. This includes loans and capital leases. Of this debt, \$155,446 is due within one year.

The State of Mississippi limits the amount of debt a City can issue to generally 15% of total assessed value. The City's applicable outstanding debt is below its current limit at 7.12% of total assessed value.

Additional information on the City's long-term debt can be found in Note 4 of this report.

CURRENT ISSUES

The City of Ellisville is currently utilizing a \$3.8 million grant to assist in infrastructure changes to accommodate the needs of the Howard Technology Park.

The City of Ellisville has purchased a new fire truck from monies received from a \$100,000 grant. The City has also acquired funding of \$130,000 for a new fire station that will be placed at the entrance to the Howard Technology Park and Ellisville State School.

The City of Ellisville has received from Rural Development \$2,011,000 for rehabilitation of archaic sewer lines, including aerial mapping.

The City of Ellisville received approval for \$1,500,000 from NRCS for channeling of an existing ditch.

The City of Ellisville was approved for \$20,236 for beautification in the median of Exit 88 on Interstate 59 and along the entrance to Ellisville on Hill Street, and at the Welcome Sign at the intersection of Hwy 11 and Hwy 29. Also, the City of Ellisville, in partnership with Jones County Junior College, has received a \$23,000 grant for a tree nursery.

The City of Ellisville has been approved for \$54,000 from Mississippi Department of Transportation for City signs.

The City of Ellisville has been approved for \$616,667 for a new library. An additional \$300,000 has been approved bringing this total to \$916,667.

The City of Ellisville has received over \$11 million dollars in grants since 2001.

Two new subdivisions are currently being developed which will total over 400 new homes and townhouses.

CURRENT ISSUES (cont.)

We are preparing for the City of Ellisville to grow extensively in the near future. Our efforts will be centered on maintaining this growth in a sustainable manner.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Mayor's Office of the City of Ellisville, 110 N. Court Street, Ellisville, MS 39437.

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
Board of Aldermen, and City Clerk
Ellisville, Mississippi

I 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 Ellisville, Mississippi, as of and for the year ended September 30, 2007, 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 Ellisville's management. My responsibility is to express an opinion on these financial statements based on my audit.

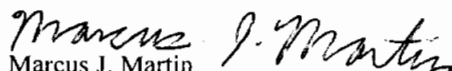
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Ellisville, Mississippi, as of September 30, 2007, 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*, I have also issued my report dated February 22, 2008, on my consideration of the City of Ellisville, Mississippi's internal control over financial reporting and my 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The preceding management's discussion and analysis and the budgetary comparison information on page 27, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Ellisville, Mississippi's 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 not a required part of the basis financial statements. Other supplementary financial information listed as schedules in the table of contents is also 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 my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.


Marcus J. Martin
Certified Public Accountant
February 22, 2008

City of Ellisville
Statement of Net Assets
September 30, 2007

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 922,397	\$ 273,864	\$ 1,196,261
Investments	649,245	630,748	1,279,993
Receivables (net of uncollectibles):			
Accounts	34,151	78,420	112,571
Sales Tax	150,858	-	150,858
Property & Ad Valorem Tax	10,563	-	10,563
Federal Grant Receivable	354,374		354,374
Other	99,359	1,525	100,884
Unbilled Revenue	-	38,840	38,840
Prepaid Items	5,957	3,971	9,928
Due from Other Funds	-	9,506	9,506
Capital Assets (net of accumulated depreciation):			
Land	81,836	25,657	107,493
Plant, Buildings & Utility Systems	587,647	5,757,638	6,345,285
Mobile Equipment	135,348	32,413	167,761
Other Furniture and Equipment	177,166	48,459	225,625
Infrastructure	780,427	-	780,427
Construction in Progress	474,207	12,300	486,507
Leased Property under Capital Leases	-	55,576	55,576
Total Assets	\$ 4,463,535	\$ 6,968,917	\$ 11,432,452
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	\$ 447,957	\$ 49,295	\$ 497,252
Accrued Salaries and Taxes	2,054	1,259	3,313
Customer Deposits	-	67,505	67,505
Due to Other Funds	9,506	-	9,506
Retainage Payable	5,000	91,920	96,920
Non-Current Liabilities:			
Due Within One Year	92,874	62,572	155,446
Due In More Than One Year	253,721	737,495	991,216
Long-term Compensated Absences	35,298	4,702	40,000
Total Liabilities	846,410	1,014,748	1,861,158
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,415,829	5,131,976	6,547,805
Unrestricted	2,201,296	822,193	3,023,489
Total Net Assets	3,617,125	5,954,169	9,571,294
Total Liabilities and Net Assets	\$ 4,463,535	\$ 6,968,917	\$ 11,432,452

City of Ellisville
Statement of Activities
September 30, 2007

EXHIBIT 2

Function/Programs:	Program Revenues			Business- Type Activities	Total
	Expenses	Charges for Services	Operating Grants		
Governmental Activities:					
General Government	\$ 358,965		\$ 7,119	\$ (351,846)	\$ (351,846)
Public Safety	682,736		32,149	(650,587)	(650,587)
Public Works	741,841	191,652	717,317	167,128	167,128
Health and Welfare	185,763			(185,763)	(185,763)
Culture and Recreation	40,400		16,000	(24,400)	(24,400)
Economic Development Authority	26,000			(26,000)	(26,000)
Interest on Long-Term Debt	14,142			(14,142)	(14,142)
Total Governmental Activities	2,049,847	191,652	16,000	(1,085,610)	(1,085,610)
Business-type Activities:					
Water & Sewer	901,849	796,378	-	264,149	264,149
Total Functions/Programs	2,951,696	988,030	16,000	(1,085,610)	(821,461)
General Revenues:					
Property Tax				485,377	485,377
Franchise Taxes				296,604	296,604
Sales Tax				850,268	850,268
Licenses and Permits				60,775	60,775
Fines and Forfeits				276,988	276,988
Intergovernmental, Not Restricted to Specific Functions/Programs				67,754	67,754
Other				184,467	184,467
Total General Revenues				2,222,233	2,222,233
Change in Net Assets				1,136,623	1,136,623
Net Assets, Beginning of Year				2,480,502	2,480,502
Net Assets, End of Year				\$ 3,617,125	\$ 5,951,169
				\$ 5,951,169	\$ 9,568,294

The notes to the financial statements are an integral part of this statement.

City of Ellisville
Balance Sheet
Governmental Funds
September 30, 2007

EXHIBIT 3

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 922,397
Investments	649,245
Accounts Receivable - Net	34,151
Other Receivables	99,359
Due from Other Governments	515,795
Due from Other Funds	-
Prepaid Expenses	5,957
Total Assets	\$ 2,226,904
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 441,243
Retainage Payable	5,000
Due to Economic Development Authority	982
Due to Other Funds	9,506
State Assessment Fees Payable	7,786
Total Liabilities	464,517
Fund Balances:	
Reserved For:	
Prepaid Expenses	5,957
Designated For:	
Police Fund	15,634
Unreserved:	
Undesignated	1,740,796
Total Fund Balances (Deficits)	1,762,387
Total Liabilities and Fund Balances	\$ 2,226,904

The notes to the financial statements are an integral part of this statement.

City of Ellisville
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 Governmental Funds
 September 30, 2007

EXHIBIT 3.1

Fund Balances - Total Governmental Funds **\$ 1,762,387**

Amounts reported for governmental activities 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.

Governmental Capital Assets	\$ 4,697,261	
Less: Accumulated Depreciation	<u>(2,460,630)</u>	2,236,631

Long-term liabilities, including bonds payable, are not due and payable
 in the current period and therefore are not reported in the funds.

Notes Payable	(346,595)	
Compensated Absences	<u>(35,298)</u>	<u>(381,893)</u>

Net Assets of Governmental Activities **\$ 3,617,125**

The notes to the financial statements are an integral part of this statement.

City of Ellisville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
September 30, 2007

EXHIBIT 4

	General Fund
REVENUES	
Property Taxes	\$ 485,377
Licenses, Permits and Fees	352,463
Intergovernmental Revenue	938,938
Charges for Services	191,652
Fines and Forfeits	276,988
Grants	756,585
Debt Issued	557,284
Other Revenue	180,961
Total Revenues	3,740,248
EXPENDITURES	
Current:	
General Government	365,322
Public Safety	698,608
Public Works	1,589,040
Health and Welfare	185,763
Culture and Recreation	40,400
Economic Development Authority	26,000
Debt Service:	
Principal Retirement	150,779
Interest and Fiscal Charges	14,142
Total Expenditures	3,070,054
Excess (Deficiency) of Revenues Over Expenditures	670,194
Fund Balances (Deficits) - Beginning	1,410,405
Fund Balances (Deficits) - Ending	\$ 2,080,599

The notes to the financial statements are an integral part of this statement.

City of Ellisville
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2007

EXHIBIT 4.1

Net Change in Fund Balances - Total Governmental Funds **\$ 670,194**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets	\$ 926,430	
Less: Current Year Depreciation	<u>(57,002)</u>	869,428

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments		154,285
Debt Issued		<u>(557,284)</u>

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Long-term Compensated Absences		<u>-</u>
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Change in Net Assets of Governmental Activities		<u><u>\$ 1,136,623</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Ellisville
Statement of Net Assets
Proprietary Funds
September 30, 2007

EXHIBIT 5

	<u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 273,864
Investments	630,748
Accounts Receivable	78,420
Other Receivable	1,525
Unbilled Revenue	38,840
Due from Other Funds	9,506
Prepaid Items	3,971
Total Current Assets	<u>1,036,874</u>
Noncurrent Assets:	
Capital Assets:	
Land	25,657
Plant, Buildings & Utility Systems	7,087,758
Mobile Equipment	76,592
Other Furniture and Equipment	173,612
Construction in Progress	12,300
Leased Property under Capital Leases	98,798
Less Accumulated Depreciation	(1,542,674)
Total Noncurrent Assets	<u>5,932,043</u>
Total Assets	<u>6,968,917</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	49,295
Accrued Salaries and Taxes	1,529
Customer Deposits	67,505
Due to Other Funds	-
Sewer Project Payable	91,920
Current Portion of Long-term Debt	62,572
Total Current Liabilities	<u>272,821</u>
Noncurrent Liabilities:	
Compensated Absences Payable	4,702
Long-term Debt	740,495
Total Liabilities	<u>1,018,018</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,128,976
Unrestricted	822,193
Total Net Assets	<u>\$ 5,951,169</u>

The notes to the financial statements are an integral part of this statement.

City of Ellisville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
September 30, 2007

EXHIBIT 6

	Water & Sewer
Operating Revenues:	
Charges for Services	\$ 796,378
Total Operating Revenues	796,378
Operating Expenses:	
Personnel Services	209,386
Supplies	294,693
Contractual Services	170,987
Depreciation	211,753
Total Operating Expenses	886,819
Operating Income (Loss)	(90,441)
Nonoperating Revenues (Expenses):	
Other Miscellaneous Income	3,641
Interest Income	27,921
Grant Revenue	369,620
Interest Expense	(15,030)
Total Nonoperating Revenues (Expenses)	386,152
Net Income	295,711
Total Net Assets - Beginning	5,655,458
Total Net Assets - Ending	\$ 5,951,169

The notes to the financial statements are an integral part of this statement.

City of Ellisville
Statement of Cash Flows
Proprietary Funds
September 30, 2007

EXHIBIT 7

	<u>Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 796,378
Cash payments to suppliers and contractual services	(473,777)
Cash payments for personnel services	(209,386)
Interest and miscellaneous revenue received	31,562
Net cash provided (used) by operating activities	144,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Grant revenue	369,620
Debt proceeds	-
Principal payments	(47,540)
Purchase of capital assets	(402,767)
Net cash provided (used) by capital and related financing activities	(80,687)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment	-
Proceeds from sale of investment	-
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash and cash equivalents	64,090
Cash and cash equivalents, October 1	209,774
Cash and cash equivalents, September 30	\$ 273,864

Reconciliation of operating income to net cash

provided by operating activities:

Net income (loss)	\$ (90,441)
Adjustments not affecting cash:	
Depreciation expense	211,753
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	245
(Increase) decrease in other receivable	(700)
(Increase) decrease in prepaid items	-
(Increase) decrease in unbilled revenue	-
(Increase) decrease in due from other funds	-
Increase (decrease) in accounts payable	23,925
Increase (decrease) in customer deposits	(5)
Increase (decrease) in due to other funds	-
Increase (decrease) in payroll related liabilities	-
Net cash provided (used) by operating activities	\$ 144,777

The notes to the financial statements are an integral part of this statement.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ellisville, Mississippi (the City) was founded in 1826 and incorporated January 30, 1890. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: Public Safety (Police and Fire), Highways and Streets, Sanitation, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units, (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989 to its business-type activities or enterprise funds. The most significant of the City's accounting policies are described below.

A. Government-wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods and services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Franchise and utility taxes, state revenue sharing, charges for garbage and water service, fines and forfeitures and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is a summary of the City's funds by fund type:

GOVERNMENTAL FUNDS: Governmental Funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The City reports the following major governmental fund:

- The *General Fund* is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

PROPRIETARY FUNDS: Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

- The *Water and Sewer Fund* is used to account for the revenues generated from the charges for distribution of water and for sanitary sewer services provided to the residential and commercial users in the City.

D. Capital Assets

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Machinery & Equipment	5-10 Years
Other Furniture & Equipment	5-7 Years
Infrastructure	20-30 Years
Water & Sewer Lines & Facilities	20-40 Years

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

See Notes to the Required Supplementary Information.

F. Encumbrances

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.

G. Receivables

The allowance method for valuing accounts receivables is used by the City. At the end of each fiscal year, an amount necessary to bring the balance to the estimated amount of allowance for doubtful accounts is credited to a valuation account. As a specific account is deemed to be uncollectible, the amount of the account is taken from both receivable and the allowance accounts. At the end of the subsequent fiscal year, Bad Debt Expense is charged with the amount necessary to bring the allowance account to the estimated total. An aging schedule with variable scale of percentages is used to compute the allowance account for Water & Sewer Fund valuation. The valuation allowance for the General Fund police fines is based on the City's estimation of amounts that cannot be collected.

H. Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2007.

I. Construction in Progress

Construction in progress represents costs accumulated for various construction and improvement and expansion projects that were not completed at year-end.

J. Compensated Absences

The City maintains a personnel policy that permits employees to accumulate earned but unused vacation or sick pay benefits. The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's accumulated unused hours and rate of pay, including the City's share of Social Security and Medicare taxes. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Governmental funds record as an expenditure the amount accrued during the year that would normally be liquidated with available expendable resources.

K. Cash and Cash Equivalents

For the purpose of cash flows, the City considers all cash, certificates of deposit and restricted cash to be cash and cash equivalents.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2007 are prepaid items.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated. A reserve is used to indicate that a portion of the fund balance is legally segregated for a specific future use. The City’s reserved fund balances for the current year are for grant or other designated income and for debt service expenditures.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriate or are legally segregated for a specific purpose.

NOTE 2 – CASH AND INVESTMENTS

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 Miss. Code Ann. (1972) allows municipalities to invest their surplus funds. The City may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts. All investments of the City throughout the year and at year-end were interest bearing time certificates of deposit which are recorded at cost plus interest earned at September 30, 2007. The market value equals the carrying amount of these investments.

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 Miss. Code Ann. (1972). Under this program, the City’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The City’s deposits, which includes all cash accounts and certificates of deposits, with a carrying value of \$2,476,254 and a bank balance of \$2,618,550 at September 30, 2007, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi’s Collateral Pool.

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2007:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 81,836	\$ -	\$ -	\$ 81,836
Construction in Progress	79,900	474,207	(79,900)	474,207
Total capital assets not being depreciated	<u>161,736</u>	<u>474,207</u>	<u>(79,900)</u>	<u>556,043</u>
<i>Capital assets being depreciated:</i>				
Infrastructure - Roads	2,415,000	-	-	2,415,000
Infrastructure - Bridges	111,855	-	-	111,855
Buildings	271,471	411,716	-	683,187
Mobile equipment	90,155	107,479	(25,250)	172,384
Other furniture and equipment	728,014	12,929	(5,500)	735,443
Leased property under capital leases	23,350	-	-	23,350
Total capital assets being depreciated	<u>3,639,845</u>	<u>532,124</u>	<u>(30,750)</u>	<u>4,141,219</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure - Roads	(1,690,500)	-	-	(1,690,500)
Infrastructure - Bridges	(55,928)	-	-	(55,928)
Buildings	(87,729)	(7,811)	-	(95,540)
Mobile equipment	(42,085)	(13,544)	18,593	(37,036)
Other furniture and equipment	(525,065)	(35,413)	2,202	(558,276)
Leased property under capital leases	(23,116)	(234)	-	(23,350)
Total accumulated depreciation	<u>(2,424,423)</u>	<u>(57,002)</u>	<u>20,795</u>	<u>(2,460,630)</u>
Total capital assets being depreciated, net	<u>1,215,422</u>	<u>475,122</u>	<u>(9,955)</u>	<u>1,680,589</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,845
Public Safety	14,887
Public Works	<u>40,270</u>
Total Depreciation Expense	<u>\$ 57,002</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 3 – CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 25,657			\$ 25,657
Construction in progress	965,492	12,300	(965,492)	12,300
Total capital assets not being depreciated	991,149	12,300	(965,492)	37,957
<i>Capital assets being depreciated:</i>				
Plant, Buildings & Systems	3,744,392	7,813	-	3,752,205
Plant & Systems - Tech Park	2,012,742	1,322,811	-	3,335,553
Mobile Equipment	59,778	16,814	-	76,592
Other furniture and equipment	173,612	-	-	173,612
Leased Property	98,798	-	-	98,798
Total capital assets being depreciated	6,089,322	1,347,438	-	7,436,760
<i>Less accumulated depreciation for:</i>				
Plant, Buildings & Systems (includes Tech Pk)	1,149,635	180,485		1,330,120
Mobile Equipment	34,558	9,621		44,179
Other furniture and equipment	113,386	11,767		125,153
Leased Property	33,342	9,880		43,222
Total accumulated depreciation	1,330,921	211,753	-	1,542,674
Total capital assets being depreciated, net	4,758,401	1,559,191	-	5,894,086
Business-type activities capital assets, net	\$ 5,749,550	\$ 1,571,491	\$ (965,492)	\$ 6,355,549

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

Purpose	Balance 10/01/2006	Additions	Reductions	Balance 9/30/2007	Due within One Year
Capital improvement revolving Loan – Fire Truck	\$ 50,362	\$ -	\$ (11,018)	\$ 39,344	\$ 11,904
Capital improvement revolving Loan – Fire Station	28,227	-	(6,508)	21,719	7,032
Capital improvement revolving Loan – Tech Park Fire Station	-	139,585	-	139,585	-
Note Payable – Kenworth Pumper	59,563	-	(30,997)	28,566	15,500
Note Payable – Krackle Boom Truck	-	86,535	(13,796)	72,739	13,796
Line-of-Credit – Katrina Repairs	133,613	-	(88,971)	44,642	44,642
Compensated absences payable	35,298	-	-	35,298	-
Total	\$ 307,063	\$ 226,120	\$ (151,290)	\$ 381,893	\$ 92,874

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 4 – LONG-TERM DEBT – Continued

Capital Improvement Revolving Loans:

\$132,000, 1996 revolving loan for purchase of a fire truck due in monthly installments of \$993, beginning July 1996 over 15 years at 4.25% interest.	\$ 39,344
\$78,000, 1997 revolving loan for fire station improvements due in monthly installments of \$586.77, beginning Dec 1997 over 160 months at 4.25% interest.	\$ 21,719
\$139,585, 2007 revolving loan for construction of Tech Park Fire Station. As of the date of this report, the loan has not been closed out and therefore monthly installments have not been established.	\$ 139,585

Notes Payable:

\$87,608, 2005 note payable for purchase of a Kenworth Pumper fire truck due in annual installments of \$15,500 over 6 years at 3.43%	\$ 28,566
\$86,535, 2007 note payable for purchase of Knuckle boom truck due in monthly installments of \$2,546.09 for 36 months at 3.74%	\$ 72,739
Line of Credit – Hurricane Katrina Repairs, 4%, one year term	\$ 44,642

The following is a summary of changes in long-term liabilities and other obligations for proprietary activities:

Purpose	Balance 10/01/2006	Additions	Reductions	Balance 9/30/2007	Due within One Year
MS Dept of Environmental Quality	\$ 809,119	-	(39,432)	769,687	53,276
Capital leases	41,488	-	(8,108)	33,380	9,295
Compensated absences payable	4,702	-	-	4,702	-
Total	\$ 900,666	\$ 1,250	\$(46,606)	\$ 855,309	\$ 62,571

Capital Improvement Revolving Loan:

\$882,796, 2001 loan with Mississippi Department of Environmental Quality at 1.75% obtained for improvements on the sewer system and pollution control, due in monthly installments of \$4,439.69 for 235 months beginning October 2004, to be withheld from municipal sales tax.	\$ 769,687
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Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2007, the amount of outstanding debt was equal to 7.126% of the latest property assessments.

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Principal and interest maturities of long-term debt are detailed below:

Year	<u>General Obligation</u>		<u>Proprietary Funds</u>	
	Principal	Interest	Principal	Interest
2008	261,770	6,098	45,991	13,765
2009	44,040	5,449	46,914	12,262
2010	16,548	5,377	47,769	11,538
2011	13,247	5,305	48,466	10,802
2012	7,136	4,842	48,466	10,006
2013+	3,854	1,284	565,461	57,317
	<u>\$ 346,595</u>	<u>\$ 28,355</u>	<u>\$ 803,067</u>	<u>\$ 115,690</u>

NOTE 5 – RISK MANAGEMENT

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

The City of Ellisville, Mississippi 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 the City of Ellisville, Mississippi is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City's total contributions to PERS for the year ending September 30, 2007 was \$102,363, which equaled the required contributions for the year.

NOTE 7 – PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and are payable on or before February 1. Property taxes are collected by Jones County and remitted to the City, with the exception of public utility taxes in which the City collects itself. The County retains a 5% collection fee on automobile and mobile home ad valorem and charges a flat rate for real and personal property ad valorem collections. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

Tax millage levies for the current fiscal year were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General Fund	32.14	General
Debt Service	2.25	Debt Service
General Fund	3.00	Library

**CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 8 – INTER-FUND TRANSACTIONS AND BALANCES

Timing differences between the payments of expenses for other funds and the subsequent reimbursements are reflected in the inter-fund accounts. The following is a summary of inter-fund balances:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 9,506
Water and Sewer Fund	9,506	..

NOTE 9 – DESIGNATED FUND BALANCE

The City assesses \$5 per traffic ticket as a police special assessment. The accumulated assessments as of September 30, 2007 are a designated fund balance of the General Fund.

	<u>Designated Fund Balance</u>
Police Special Assessment Fund	\$ 15,634

NOTE 10 – SEWER PROJECT PAYABLE

The City is holding the final draw on the sewer construction project due to a discrepancy with the contractor for incomplete work, liquidated damages and City expenses. The project payable at September 30, 2007 is \$91,920.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ellisville
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2007

General Fund

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 598,000	\$ 598,000	\$ 485,377	\$ (112,623)
Licenses and permits	254,500	254,500	352,463	97,963
Fines and forfeitures	253,751	255,000	276,988	21,988
Intergovernmental revenues	712,621	712,621	938,938	226,317
Charges for services	210,000	210,000	191,652	(18,348)
Miscellaneous revenues	34,613	442,613	180,961	(261,652)
Debt Issued	-	-	557,284	557,284
Grants	134,000	158,679	756,585	597,906
Total Revenues	2,197,485	2,631,413	3,740,248	1,108,835
EXPENDITURES				
Current:				
General government	401,158	400,757	365,322	35,435
Public safety	1,398,893	1,655,351	698,608	956,743
Public works	575,211	603,611	1,589,040	(985,429)
Culture and recreation	37,000	37,000	40,400	(3,400)
Health and welfare	-	-	185,763	(185,763)
Economic development authority	26,000	26,000	26,000	-
Library	36,000	36,000	-	36,000
Debt service principal and interest	110,300	161,300	164,921	(3,621)
Total Expenditures	2,584,562	2,920,019	3,070,054	(150,035)
Excess of Revenues over (under) Expenditures	(387,077)	(288,606)	670,194	958,800
			Net Change in Fund Balance	670,194
			Fund Balances - Beginning	1,410,405
			Fund Balances - Ending	<u>\$ 2,080,599</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

City of Ellisville
Budgetary Comparison Schedule
Proprietary Fund
For the Year Ended September 30, 2007

Water and Sewer Fund				
	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 592,600	\$ 592,600	\$ 796,378	\$ 203,778
EXPENSES				
Personnel services	298,562	298,562	209,386	89,176
Supplies	129,000	129,000	294,693	(165,693)
Contractual services	500,000	500,000	170,987	329,013
Debt Service	130,000	130,000	-	-
Miscellaneous	45,000	45,000	-	45,000
Depreciation	-	-	211,753	(211,753)
Total Expenditures	<u>1,102,562</u>	<u>1,102,562</u>	<u>886,819</u>	<u>215,743</u>
OPERATING INCOME	<u>(509,962)</u>	<u>(509,962)</u>	<u>(90,441)</u>	<u>419,521</u>
NON-OPERATING REVENUES (EXPENSES)				
Other miscellaneous income	20,000	20,000	3,641	(16,359)
Interest income	-	-	27,921	27,921
Grant revenue	-	-	369,620	369,620
Interest expense	-	-	(15,030)	(15,030)
Total Non-Operating Revenues (Expenses)	<u>20,000</u>	<u>20,000</u>	<u>386,152</u>	<u>366,152</u>
NET INCOME	<u>(489,962)</u>	<u>(489,962)</u>	<u>295,711</u>	<u>785,673</u>
		NET ASSETS - BEGINNING	<u>5,655,458</u>	
		NET ASSETS - ENDING	<u>\$ 5,951,169</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

City of Ellisville, Mississippi
Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

A. Budgetary Information.

The City follows these procedures in establishing the budgetary date reflected in the financial statements:

Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. The Board of Aldermen may take official action to authorize transfers of budgeted amounts between departments and funds as allowed by law. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Proprietary Fund. Mississippi laws require that municipalities budget governmental fund types on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal.

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

During the year, amendments were made to the original budget.

B. Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual amounts.

SUPPLEMENTAL INFORMATION

**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Natural Resources Conservation Service			
Emergency Watershed Protection Program	10.923	68-4423-6-1672	\$474,208
OTHER FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Rural Development			
Community Facilities Loans and Grants	10.766	N/A	<u>\$72,575</u>
Total Expenditures of Federal Awards			<u>\$546,783</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified actual basis of accounting.

CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF INVESTMENTS
ALL FUNDS
SEPTEMBER 30, 2007

SCHEDULE 1

GENERAL FUNDS:

General Government:

3.94% Certificate of Deposit, 1 year	\$ 386,768
3.94% Certificate of Deposit, 1 year	3,891
3.96% Certificate of Deposit, 6 mos	60,068
3.36% Certificate of Deposit, 90 days	36,000
3.94% Certificate of Deposit, 1 year	12,664
3.94% Certificate of Deposit, 1 year	12,224
3.96% Certificate of Deposit, 6 mos	64,114

Debt Service – Fire:

3.96% Certificate of Deposit, 6 mos	23,308
3.94% Certificate of Deposit, 1 year	11,698
3.94% Certificate of Deposit, 1 year	9,540
3.96% Certificate of Deposit, 6 mos	11,005
3.96% Certificate of Deposit, 6 mos	8,311
3.96% Certificate of Deposit, 4 mos	9,655

PROPRIETARY FUNDS:

Water & Sewer Fund:

3.94% Certificate of Deposit, 1 year	116,992
3.94% Certificate of Deposit, 1 year	95,689
3.96% Certificate of Deposit, 6 mos	<u>418,067</u>

TOTAL INVESTMENTS \$ 1,279,994

See Independent Auditor's Report.

**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2007**

SCHEDULE 2

Coverage with Western Surety Company:

Mayor	\$ 50,000
City Clerk	50,000
Deputy Clerk	8,000
Police Chief	50,000
Court Clerk	8,000
Dispatcher	8,000
Auxiliary Police	23,000

Coverage with Mississippi Municipal Bond Program:

Aldermen	20,000
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See Independent Auditor's Report.

SPECIAL REPORTS

**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, Members of the Board of
Aldermen, and City Clerk
City of Ellisville, Mississippi

I have audited the financial statements of the City of Ellisville, Mississippi, as of and for the year ended September 30, 2007, and have issued my report thereon dated February 22, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

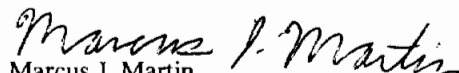
Compliance

As a part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of 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.


Marcus J. Martin
Certified Public Accountant
February 22, 2008

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

Honorable Mayor, Members of the Board of
Aldermen, and City Clerk
City of Ellisville, Mississippi

Compliance

I have audited the compliance of the City of Ellisville, 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 its major federal program for the year ended September 30, 2007. The City of Ellisville, Mississippi's major federal program is 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 its major federal program is the responsibility of the City of Ellisville, Mississippi's management. My responsibility is to express an opinion on the City of Ellisville, Mississippi's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Ellisville, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Ellisville, Mississippi's compliance with those requirements.

In my opinion, the City of Ellisville, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operations that I consider to be material weaknesses.

This report is intended solely for the information and use of 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.

Marcus J. Martin
Marcus J. Martin
Certified Public Accountant
February 22, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ELLISVILLE
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Reportable conditions identified that is not considered to be a material weakness? | No |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| a. Reportable conditions identified that is not considered to be a material weakness? | No |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding(s) reported as requirements as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Emergency Watershed Protection Program, CFDA# 10.923 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of my tests did not disclose any findings and questioned costs related to federal awards.