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Town of Lula
Financial Statements
September 30, 2007

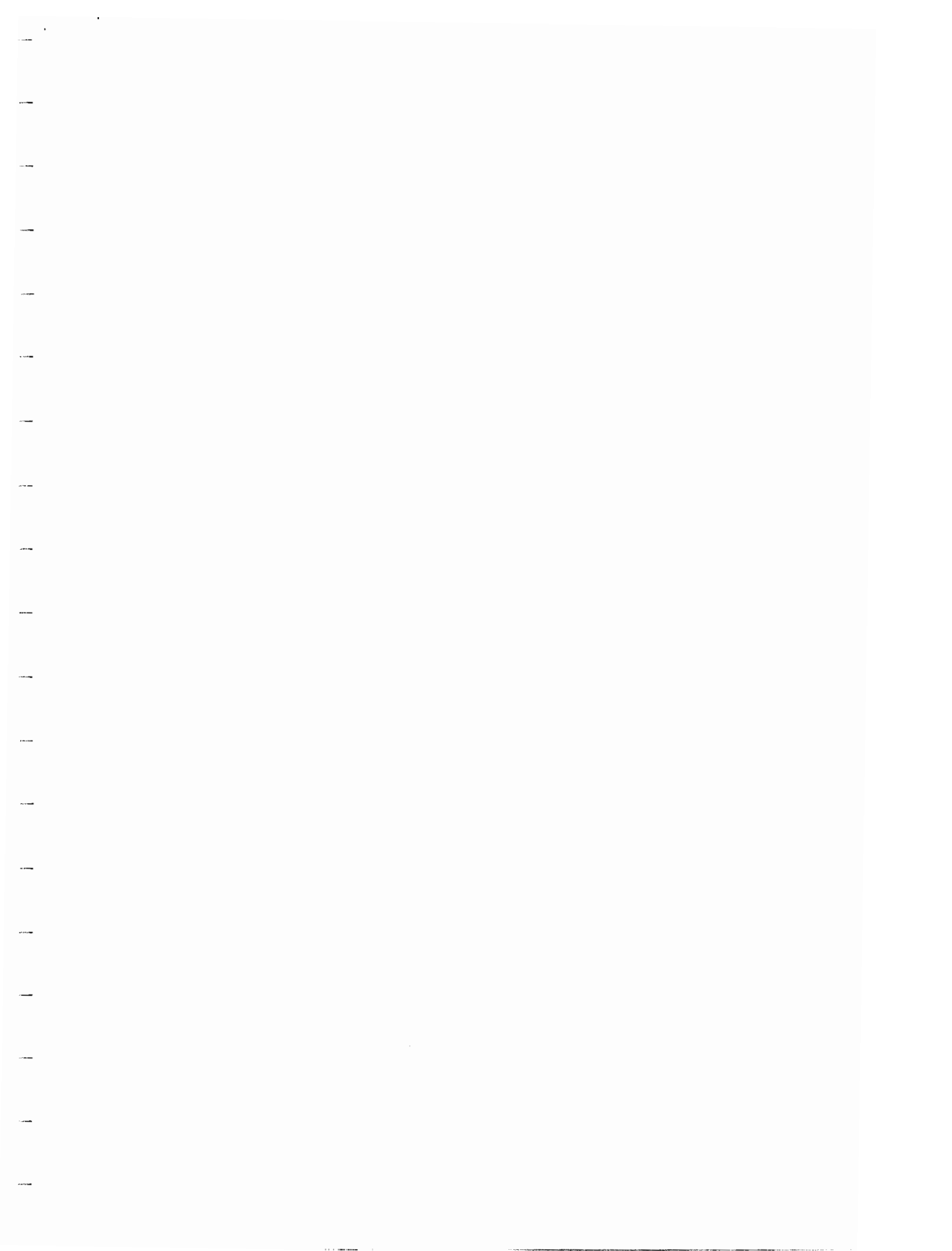
Ellis & Hirsberg, CPA, PLLC
Certified Public Accountants
Clarksdale, Mississippi

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**TOWN OF LULA, MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Lula
Lula, Mississippi

We have compiled the accompanying combined Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities of the Town of Lula for the year ended September 30, 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities and, accordingly, do not express an opinion or any other form of assurance on it.

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the combined Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities is not intended to present results of operations, in conformity with generally accepted accounting principles.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, the financial statement is not designed for those who are not informed about such matters.

The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of management of the Town of Lula, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.



January 20, 2008

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Governmental Activities					Business-type Activities	
	General Fund	Special Revenue Fund	Federal Capital Projects	Federal Special Reserve	Total	Proprietary Fund	
<u>Revenue Receipts</u>							
Ad Valorem Taxes - Current	20,292.30				20,292.30		
Franchise Tax - Utility	7,480.99				7,480.99		
Privilege License	210.00				210.00		
Share of Gaming - Coahoma County	12,455.63	24,916.11			37,371.74	17,628.28	
Intergovernmental Revenues:							
State Shares Revenues:							
Sales Tax	52,624.67				52,624.67		
Gasoline Tax	994.22				994.22		
Alcoholic Beverage License	900.00				900.00		
Municipal Aid	192.86				192.86		
Fire Aid		1,750.92			1,750.92		
Grand Gulf	2,479.13				2,479.13		
Homestead Exemption	2,786.14				2,786.14		

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Governmental Activities					Total	Business-type Activities	
	General Fund	Special Revenue Fund	Federal Capital Projects	Federal Special Reserve	Proprietary Fund		Total	Proprietary Fund
Federal Revenues				63,827.84		63,827.84		
HOME Project								
CDBG - Sewer Project			161,952.99			161,952.99		
Charges for Service:								
Water Fees					0.00	0.00		48,487.18
Sewer Fees					0.00	0.00		13,321.17
Garbage Fees					0.00	0.00		19,220.00
Other Receipts:								
Rents	2,000.00					2,000.00		
Interest Earned	3,271.07	5,001.90				8,272.97		500.22
Miscellaneous	2,320.20	297.35				2,617.55		156.37
Operating Transfers						0.00		21,385.30
<u>Total Receipts</u>	108,007.21	31,966.28	161,952.99	63,827.84		365,754.32		120,698.52
Cash: Beginning of Year	133,812.39	213,774.39		2,075.00		349,661.78		44,910.97
Total Amount to Account For	241,819.60	245,740.67	161,952.99	65,902.84		715,416.10		165,609.49

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Governmental Activities				Business-type Activities	
	General Fund	Special Revenue Fund	Federal Capital Projects	Federal Special Reserve	Total	Proprietary Fund
<u>Disbursements</u>						
Financial & Administrative						
Salaries & Wages	21,000.00				21,000.00	
Other Services & Charges	19,071.12				19,071.12	
Public Safety - Police						
Salaries & Wages	26,000.00				26,000.00	
Other Services & Charges	11,458.73				11,458.73	
Public Safety - Fire						
Other Services & Charges		1,750.92			1,750.92	
Public Property						
Building, Streets & Structures	12,624.90				12,624.90	
Public - Health						
Mosquito Control		8,750.00			8,750.00	

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Governmental Activities					Business-type Activities	
	General Fund	Special Revenue Fund	Federal Capital Projects	Federal		Total	Proprietary Fund
				Special Reserve			
Water Department							
Salaries & Wages					0.00		46,840.16
Other Services & Charges					0.00		34,910.53
Sewer Department							
Salaries & Wages					0.00		5,199.96
Other Services & Charges					0.00		15,809.22
Sanitation							
Garbage Pickup					0.00		16,939.00
Operating Transfers	21,385.30					21,385.30	
Federal Expenditures							
HOME Project				65,902.84		65,902.84	
CDBG - Sewer Project			161,952.99			161,952.99	

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Governmental Activities				Business-type Activities	
	Special Revenue		Federal Capital Projects		Federal Special Reserve	
	General Fund	Special Revenue	Federal Capital Projects	Federal Special Reserve	Total	Proprietary Fund
<u>Other</u>						
Capital Outlay		4,383.51			4,383.51	
Miscellaneous		757.53			757.53	
<u>Total Disbursements</u>	111,540.05	15,641.96	161,952.99	65,902.84	355,037.84	119,698.87
Cash: End of Year	<u>130,279.55</u>	<u>230,098.71</u>			<u>360,378.26</u>	<u>45,910.62</u>
<u>Total Amount Accounted For</u>	<u>241,819.60</u>	<u>245,740.67</u>	<u>161,952.99</u>	<u>65,902.84</u>	<u>715,416.10</u>	<u>165,609.49</u>

See the accompanying notes to financial statements.

**TOWN OF LULA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town operates under a Mayor - Board of Aldermen form of government, and provides the following services as authorized by its charter: public safety (fire), streets and highways, sanitation, culture-recreation, public improvements, planning, zoning, water and sewer services and general administrative services. There are no component units of the Town.

Reporting Entity - This report includes all of the funds of the Town of Lula. The Town has developed criteria to determine whether outside agencies or authorities with activities which benefit the citizens of the Town should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Town exercises oversight responsibility on financial inter-dependency, selection of governing authority, and accountability for fiscal matter, scope of public service and special financing relationships. No component unit was identified for inclusion or potential inclusion utilizing the criteria indicated.

Basis of Presentation - Fund Accounting - The accounts of the Town of Lula are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its revenues/receipts and expenditures/disbursements. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Basis of Accounting - All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information.

The following funds are used by the Town:

Governmental Fund Types:

General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Special Revenue Fund - The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Federal Capital Project Fund - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities.

Federal Special Revenue Fund - The special revenue fund is used to account for special revenues, most of which are federal grants or awards for specific purposes.

Proprietary Fund Types:

Enterprise Funds - These funds account for operations that are organized to be self-supporting through user charges. Included in this category is the Water and Sewer Fund.

Budgetary Data - Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for governmental and proprietary funds. For governmental funds, receipts are budgeted on the cash basis.

Expenditures are also budgeted on the cash basis of accounting. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects.

All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Cash - Cash in excess of current requirements is invested in various interest-bearing bank deposits and disclosed as part of the Town's cash and investment balance when applicable.

Revenues and Expenditures/Expenses - Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

Property Tax Revenues - Property taxes are levied on January 1 based on the assessed value of property per the County Tax Bills. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are received.

Encumbrances - The Town of Lula does not use encumbrance accounting.

Total Columns - The Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities includes a total column that is described as memorandum only. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. Interfund transactions have not been eliminated from the total column of this financial statement.

NOTE 2 - PROPERTY TAXES

The Town uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1. The millage rate for the Town for the fiscal year ended September 30, 2007 was 20.75 mills for general purposes and .25 mills for fire.

NOTE 3 - INVESTMENTS

The only investment of the Town consists of a Certificate of Deposit and is of the type authorized by State statutes. As of September 30, 2007 certificates of deposit by fund totaled as follows:

General Fund	111,094.01
Special Revenue Fund	198,920.00
Proprietary Fund	24,500.22

NOTE 4 - CASH AND OTHER DEPOSITS

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 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 Federal Depository Insurance Corporation.

The carrying amount of the Town's deposits with financial institutions was \$406,088.88 and the bank balance was \$406,269.07.

TOWN OF LULA, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
 SEPTEMBER 30, 2007

<u>Name and Position</u>	<u>Term</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Melvin Brown	7/7/07 - 7/7/08	Mayor	Brierfield Ins. Co.	50,000
Walter R. Barbee	11/1/06 - 11/1/07	Town Clerk	Zurich North America	50,000
Tracy Vance	12/30/06 - 12/30/07	Town Marshall	CNA Surety	50,000
Andrew Brown	7/1/05 - 7/1/09	Alderman	Scott Municipal Insurance	5,000
Betty Hopkins	7/1/05 - 7/1/09	Alderman	Scott Municipal Insurance	5,000
Patricia Furdge	7/1/05 - 7/1/09	Alderman	Scott Municipal Insurance	5,000
Pamela Mitchell	7/1/05 - 7/1/09	Alderman	Scott Municipal Insurance	5,000
Emma Johnson	7/1/05 - 7/1/09	Alderman	Scott Municipal Insurance	5,000

**SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR
 SMALL MUNICIPALITIES (TOWNS)**

Honorable Mayor and Board of Aldermen
 Town of Lula
 Lula, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Lula, Mississippi, as of September 30, 2007, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Lula, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

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

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Delta Southern Bank	General - Certificate	73,322.84
Delta Southern Bank	General - Certificate	37,771.17
Delta Southern Bank	General - Checking	18,985.54
Delta Southern Bank	Special Revenue - Certificate	112,292.67
Delta Southern Bank	Special Revenue - Checking	29,046.04
Delta Southern Bank	Special Revenue - Certificate	74,377.22
Delta Southern Bank	Special Revenue - Checking	30.02
Delta Southern Bank	Special Revenue - Checking	2,102.65
Delta Southern Bank	Special Revenue - Certificate	<u>12,250.11</u>
<u>Total Governmental Activities</u>		360,178.26
Delta Southern Bank	Proprietary - Certificate	24,500.22
Delta Southern Bank	Proprietary - Checking	<u>21,410.40</u>
<u>Total All Funds</u>		<u><u>406,088.88</u></u>

2. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year.
 - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
 - b. Determined that sales of property for delinquent taxes were conducted;
 - c. Traced settlements to the proper funds; and
 - d. Determined that increase in ad valorem taxes were within the growth limitations allowed by law Sections 27-39-320 through 27-39-323, Mississippi Code Annotated (1972).

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

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

<u>Payment Purpose</u>	<u>Ledger Amount</u>
Liquor Privilege Tax	900.00
Sales Tax Allocation	52,624.67
Fire Protection Allocation	1,750.92
General Municipal Aid	192.86
Gasoline Tax	994.22
Homestead Exemption Reimbursement	2,786.14
Payments - Nuclear Plant	2,479.13
Other Municipal Aid	2,000.00
CDBG - Sewer Project	<u>161,952.99</u>
 <u>Total</u>	 <u><u>225,680.93</u></u>

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

The sample consisted of the following:

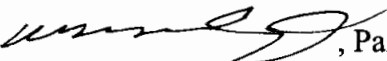
Number of Sample Items	31
Total Dollar Value of Sample	\$ 7,909.37

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

5. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated a few instances of noncompliance with state requirements.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes or transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1 and 2 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Lula, Mississippi, for the year ended September 30, 2007.

ELLIS & HIRSBERG, CPA, PLLC

By: , Partner

January 20, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen
Town of Lula, Mississippi

We have compiled the accompanying combined Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities of the Town of Lula, Mississippi for the year ended September 30, 2007, and have issued our report thereon dated January 20, 2008, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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 compilation engagement and, accordingly, we do not express such an opinion.

In connection with our compilation report, it appears that the Town of Lula, Mississippi had a few instances of non-compliance with the requirements of the Office of the State Auditor as set forth in the Municipal Compliance Questionnaire and other state laws and regulations.

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



January 20, 2008