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CITY OF POPLARVILLE, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007



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INTRODUCTORY SECTION

**CITY OF POPLARVILLE, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2007**

ELECTED OFFICIALS

Mayor
Aldersperson
Aldersperson
Aldersperson
Aldersperson
Aldersperson

Billy W. Spiers
John A. Grant, Jr.
Byron Wells
Bill Winborn
Shirley Wiltshire
John Sherman

APPOINTED OFFICIALS

City Clerk and Tax Collector
Police Chief
Fire Chief
Superintendent
City Attorney

Jody Stuart
Charles Fazende
Kris Foster
Sam Hale
Martin Smith

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

February 26, 2008

Honorable Mayor and Members of the
Board of Alderpersons
City of Poplarville
Poplarville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, 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 management of the City of Poplarville, Mississippi. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, Mississippi, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2008, on our consideration of the City of Poplarville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 10 and budgetary comparison information listed as Schedule 1 are not a required part of the basic financial statements but are considered supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members of the
Board of Alderpersons
City of Poplarville, Mississippi
Poplarville, Mississippi
February 26, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poplarville, Mississippi's basic financial statements. The introductory section and accompanying financial information listed as Schedules A and B in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Poplarville, Mississippi. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

***City of Poplarville
200 Highway 26 East
Poplarville, MS 39470
(601)795-8161***

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Introduction

The following Management's Discussion and Analysis of the City of Poplarville, Mississippi's (the "City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2007. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2007 by \$6,734,332. Of this amount, unrestricted net assets of \$2,385,153 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$482,436. Of this amount, \$268,843 was associated with business-type activities and \$213,543 was from governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,107,772, an increase of \$245,697 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,995,202, or 100% of total general fund expenditures.
- The City's total debt obligations decreased by \$139,227. However, the City obtained one new capital lease during 2007. The lease allowed the City to acquire a truck for the water and sewer department. The new lease matures within 36 months and carries an interest rate of 4.27% per annum. In addition, the City issued a \$185,185 revenue bond during the year related to the construction of the Cumberland Street water well in fiscal year 2004. The bond carries an interest rate of 4.375% per annum.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Overview of the Financial Statements

The City's basic financial statements comprise the following elements:

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's 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 the City's 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 only result in cash flows in future fiscal periods.

Both of the 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 a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, court, public safety, highways and streets, public works and culture and recreation. The business-type activities of the City are comprised of water and sewer operations.

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, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- Governmental 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 fund 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 government's near term financing requirements.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are both considered to be major funds.

- Proprietary Funds

The City maintains one proprietary fund for water and sewer operations. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information for this fund is presented in the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net assets as of September 30, 2007 and 2006, derived from the government-wide Statement of Net Assets.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 2,280,391	\$ 2,279,810	\$ 538,817	\$ 295,294	\$ 2,819,208	\$ 2,575,104
Capital assets, net	1,627,509	1,691,980	5,690,694	5,745,273	7,318,203	7,437,253
Total assets	3,907,900	3,971,790	6,229,511	6,040,567	10,137,411	10,012,357
Other liabilities	230,200	474,295	416,611	372,392	646,811	846,687
Long-term liabilities	251,046	284,384	2,505,222	2,629,390	2,756,268	2,913,774
Total liabilities	481,246	758,679	2,921,833	3,001,782	3,403,079	3,760,461
Net assets:						
Invested in capital assets, net of related debt	1,373,708	1,361,324	2,862,709	2,855,300	4,236,417	4,216,624
Restricted	56,790	44,472	55,972	55,000	112,762	99,472
Unrestricted	1,996,156	1,807,315	388,997	128,485	2,385,153	1,935,800
Total net assets	\$ 3,426,654	\$ 3,213,111	\$ 3,307,678	\$ 3,038,785	\$ 6,734,332	\$ 6,251,896

At September 30, 2007 and 2006, the City's assets exceeded liabilities by \$6,734,332 and \$6,251,896, respectively. By far, the largest portion of the City's net assets (63% and 67%) reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. A portion of the net assets is restricted to comply with covenants on water and sewer revenue bonds, funds set aside to cover future workers compensation claims against the City, and drug seizure funds remitted to the City to be used to purchase law enforcement equipment. The remaining portion of net assets is unrestricted, which can be used to finance government operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Government-wide Financial Analysis (Continued)

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2007 and 2006, as derived from the government-wide Statement of Activities.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 462,119	\$ 421,971	\$ 957,663	\$ 917,837	\$ 1,419,782	\$ 1,339,808
Operating grants and contributions	143,535	357,835	-	-	143,535	357,835
Capital grants and contributions	83,358	127,452	155,637	109,226	238,995	236,678
Total program revenues	<u>689,012</u>	<u>907,258</u>	<u>1,113,300</u>	<u>1,027,063</u>	<u>1,802,312</u>	<u>1,934,321</u>
General revenues						
Property taxes	661,296	695,597	-	-	661,296	695,597
Sales taxes	731,246	791,866	-	-	731,246	791,866
Interest earnings	87,768	57,460	304	304	88,072	57,764
Loss on retirement of assets	(11,912)	(8,562)	-	-	(11,912)	(8,562)
Transfers	-	53,300	-	(53,300)	-	-
Other	133,494	258,263	-	-	133,494	258,263
Total general revenues	<u>1,601,892</u>	<u>1,847,924</u>	<u>304</u>	<u>(52,996)</u>	<u>1,602,196</u>	<u>1,794,928</u>
Total revenues	<u>2,290,904</u>	<u>2,755,182</u>	<u>1,113,604</u>	<u>974,067</u>	<u>3,404,508</u>	<u>3,729,249</u>
Program expenses						
General government	363,235	300,989	-	-	363,235	300,989
Court	64,660	75,528	-	-	64,660	75,528
Public safety	1,021,348	816,525	-	-	1,021,348	816,525
Highways and streets	435,394	522,013	-	-	435,394	522,013
Public works	124,626	120,066	-	-	124,626	120,066
Culture and recreation	26,370	49,160	-	-	26,370	49,160
Miscellaneous	33,766	25,329	-	-	33,766	25,329
Interest and fiscal charges	7,962	8,378	-	-	7,962	8,378
Water and sewer	-	-	844,711	760,671	844,711	760,671
Total program expenses	<u>2,077,361</u>	<u>1,917,988</u>	<u>844,711</u>	<u>760,671</u>	<u>2,922,072</u>	<u>2,678,659</u>
Change in net assets	213,543	837,194	268,893	213,396	482,436	1,050,590
Beginning net assets	<u>3,213,111</u>	<u>2,375,917</u>	<u>3,038,785</u>	<u>2,825,389</u>	<u>6,251,896</u>	<u>5,201,306</u>
Ending net assets	<u>\$ 3,426,654</u>	<u>\$ 3,213,111</u>	<u>\$ 3,307,678</u>	<u>\$ 3,038,785</u>	<u>\$ 6,734,332</u>	<u>\$ 6,251,896</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Government-wide Financial Analysis (Continued)

Governmental Activities

Governmental activities increased the City's net assets by \$213,543. As in the prior year, the increase is primarily attributable to an influx of new residents subsequent to Hurricane Katrina that resulted in sales tax collections, fees, and charges above the pre-storm levels. Any increases in costs were primarily paid with grant revenues. Therefore, the City continued to experience higher than normal net increases in net assets.

Business-Type Activities

Business-type activities increased the City's net assets by \$268,893. Key elements of this increase are:

- The City's intention is for its water and sewer operations to break even each year. However, total water and sewer user charges exceeded expenses by \$112,952 for 2007 and \$157,166 for 2006, as compared to a loss of \$728 for 2005. The increase is due primarily to a 16% rate increase for residential users and an approximate 11.5% increase for commercial users which began in the 2006 fiscal year. User charges for 2007 and 2006 total \$957,663 and \$917,837, respectively, compared to \$748,514 for 2005. Part of the increase in user charges is attributed to the influx of new residents subsequent to Hurricane Katrina. In 2007, the moratorium by the Health Department against adding new customers to the City's water system was lifted. This allowed new customers to be added to the system.
- The City recognized \$155,637 of capital grant revenues received primarily related to repairing damages caused by Hurricane Katrina.

Financial Analysis of the City's Funds

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined unreserved ending fund balance of \$1,995,202.

General Fund

Fund balance at September 30, 2007 totaled \$2,051,844, an increase of \$237,947 during the fiscal year. The increase is the result of:

- Sales tax collections for the year ended September 30, 2007, although lower than 2006, are still about \$174,400 greater than in 2005.
- Overall, general fund revenues have decreased by approximately \$232,000 over 2006 while expenditures have decreased by \$325,000, creating a net increase of \$93,000.
- In addition, the City received a legal settlement from a contractor in the amount of \$100,655.

Debt Service Fund

The debt service fund had a fund balance of \$55,928 at September 30, 2007, an increase of \$7,750 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Financial Analysis of the City's Funds (Continued)

Proprietary Fund

The City's proprietary fund, the Water and Sewer Fund, reported net assets of \$3,307,678, an increase of \$268,893 during the fiscal year. The City's intention for this Fund is for it to be self-sufficient but not to accumulate an excessive amount of assets as a result of its operations as shown by unrestricted net assets of only \$388,997. In the current year, the Water and Sewer Fund increase of net assets of \$268,893 was primarily due to an increase in utility rates, as noted on the prior page. The City had been charging a surcharge of \$1.50 per account for several years to repay the General Fund for prior borrowings. These interfund borrowings were paid in full in 2007. Accordingly, the City has approved the discontinuance of the surcharge beginning in fiscal year 2008.

Budget Variances in the General Fund

Budget amendments are summarized below and are primarily due to Hurricane Katrina, such as repairs, equipment replacement, increased accounting and auditing costs related to Single Audit requirements imposed, etc. The increase in the court department budget is related to increase training costs. All differences in the original budget and the final amended budget are summarized as follows:

- \$46,812 (14%) increase in general government expenditures.
- \$2,846 (5%) increase in court department expenditures.
- \$105,483 (11%) increase in public safety expenditures.
- \$67,040 (19%) increase in highways and streets expenditures.
- \$1,630 (5%) increase in other public works expenditures.
- Increase of \$8,235 (33%) in miscellaneous expenses.

The budget for revenues was not amended, in spite of the fact that revenues (including other financing sources) exceeded the budget by at least \$487,000 (not including an additional \$336,500 of other financing sources). Accordingly, the net result of the amendments to the expenditures budgeted created the need to draw down \$232,046 of existing fund balance not appropriated with the original adopted budget. However, due to the excess revenues received and a positive variance between the final budgeted expenditures and those actually incurred, the City ended the year with an overall positive variance between the budget and actual by approximately \$922,800.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2007, the City reported \$1,627,509 in net capital assets for governmental activities and \$5,690,694 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The Fire Department acquired a Bauer System during the year at a cost of \$35,013, paid with a grant.
- A Ford F-150 pickup truck was purchased for the Water and Sewer Fund at a cost of \$10,325.
- New Kubota tractor was purchased for the Water and Sewer Fund at a cost of \$19,509.
- The City received an MDA Grant from the State of Mississippi to extend and upgrade utility lines along Highway 53 at a cost of \$163,968.

The City also sold at auction certain vehicles and equipment with a net book value of \$25,899. The net proceeds from the auction totaled \$13,987, which resulted in a net book loss of \$11,912.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Capital Asset and Long-Term Debt Activity (Continued)

Long-Term Debt Activity

At the end of the current fiscal year, the City had \$253,801 in outstanding governmental debt and \$2,832,033 in outstanding proprietary debt. Refer to Note 6 to the financial statements for additional information on the City's long-term debt and other liabilities.

Economic Conditions and Outlook

Property tax collections have remained steady in 2007. However, the City expects property taxes to increase as additional construction continues in the area. Sales tax collections, although significantly higher than pre-hurricane Katrina levels, are expected to remain steady in the foreseeable future. These factors were considered in preparing the City's budget for the 2008 fiscal year.

In the 2008 budget, the City did not raise the overall property tax rate due to current income levels for sales tax and franchise fees, as well as available unreserved net assets.

The City received a final decree of annexation on October 25, 2006 with respect to its "friendly" annexation of the Pearl River Community College campus. The City is also looking to expand its corporate limits to include land surrounding the two exits off of Interstate 59.

The moratorium by the Health Department issued in fiscal year 2006, which prohibited any new connections until the City could make certain additions and improvements to its existing water and sewer system, has been lifted now that such additions and improvements have been made. This is expected to result in increased construction within the corporate limits.

The City has signed an agreement with the newly formed Pearl River County Utility Authority (Authority) to relinquish the City's sewer treatment facilities and system in exchange for the Authority assuming certain related debt totaling approximately \$2,200,000. However, the transfer will likely result in a net book loss of approximately \$1,300,000 on the City's Water and Sewer Fund at the time the transfer is completed.

The City has received federal funding to repair and improve certain streets, as well as to provide certain sidewalk and curb improvements. These improvements and repairs are expected to cost approximately \$600,000 and have been considered in preparing the budget for the 2008 fiscal year. In addition, the City expects to expend an additional \$400,000 from unrestricted reserves during 2008 to begin a street overlay program.

Contact the City's Financial Management

This financial report is designed to provide a general overview of the City of Poplarville for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, Jody Stuart, at 200 Highway 26 East, Poplarville, Mississippi 39470.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 35,922	\$ 100	\$ 36,022
Pooled cash and cash equivalents	1,547,266	235,849	1,783,115
Investments	400,000	-	400,000
Receivables:			
Property taxes, net	9,732	-	9,732
Sales tax	126,906	-	126,906
Franchise taxes	41,091	-	41,091
Accounts, net	909	143,844	144,753
Interest	902	-	902
Other	5,928	-	5,928
Due from other governments	56,247	24,458	80,705
Internal balances	(14,802)	14,802	-
Prepaid expenses	12,508	2,693	15,201
Restricted assets:			
Cash and cash equivalents	57,782	113,023	170,805
Other assets, net	-	4,048	4,048
Capital assets:			
Land and construction in progress	467,053	34,915	501,968
Other capital assets, net of accumulated depreciation	1,160,456	5,655,780	6,816,236
Total assets	<u>3,907,900</u>	<u>6,229,512</u>	<u>10,137,412</u>
LIABILITIES			
Accounts payable	32,801	12,291	45,092
Accrued liabilities	57,893	13,413	71,306
Deferred revenue	80,216	-	80,216
Notes payable, current	31,376	270,512	301,888
Bonds payable, current	-	40,147	40,147
Capital leases, current	26,205	16,152	42,357
Compensated absences, current	1,709	7,045	8,754
Payable from restricted assets:			
Customer deposits	-	57,051	57,051
Notes payable, noncurrent	181,802	1,987,375	2,169,177
Bonds payable, noncurrent	-	505,630	505,630
Capital leases, noncurrent	14,418	12,217	26,635
Compensated absences, noncurrent	54,826	-	54,826
Total liabilities	<u>481,246</u>	<u>2,921,833</u>	<u>3,403,079</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,373,708	2,862,710	4,236,418
Restricted	56,642	55,972	112,614
Unrestricted	1,996,304	388,996	2,385,300
Total net assets	<u>\$ 3,426,654</u>	<u>\$ 3,307,678</u>	<u>\$ 6,734,332</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental:							
General government	\$ 363,235	\$ 195,868	\$ 27,507	\$ -	\$ (139,860)	\$ (139,860)	\$ (139,860)
Court	64,660	-	-	-	(64,660)	(64,660)	(64,660)
Public safety	1,021,348	128,001	58,028	83,358	(751,961)	(751,961)	(751,961)
Highways and streets	435,394	-	58,000	-	(377,394)	(377,394)	(377,394)
Public works	124,626	138,250	-	-	13,624	13,624	13,624
Culture and recreation	26,370	-	-	-	(26,370)	(26,370)	(26,370)
Miscellaneous	33,766	-	-	-	(33,766)	(33,766)	(33,766)
Interest and fiscal charges	7,962	-	-	-	(7,962)	(7,962)	(7,962)
Total governmental activities	2,077,361	462,119	143,535	83,358	(1,388,349)	(1,388,349)	(1,388,349)
Business-type:							
Water and sewer	844,711	957,663	-	155,637	\$ 268,589	\$ 268,589	268,589
Total	\$ 2,922,072	\$ 1,419,782	\$ 143,535	\$ 238,995	(1,388,349)	268,589	(1,119,760)
General revenues (expenses):							
Property taxes, levied for general purposes					661,296	-	661,296
Intergovernmental revenues - sales tax					731,246	-	731,246
Interest earnings					87,768	304	88,072
Insurance proceeds					68,000	-	68,000
Miscellaneous					65,494	-	65,494
Loss on retirement and/or sale of assets					(11,912)	-	(11,912)
Total general revenues (expenses)					1,601,892	304	1,602,196
Change in net assets					213,543	268,893	482,436
Net assets-beginning					3,213,111	3,038,785	6,251,896
Net assets-ending					\$ 3,426,654	\$ 3,307,678	\$ 6,734,332

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 35,922	\$ -	\$ 35,922
Pooled cash and cash equivalents	1,492,053	55,213	1,547,266
Investments	400,000	-	400,000
Receivables:			
Property taxes, net	9,017	715	9,732
Sales tax	126,906	-	126,906
Franchise taxes	41,091	-	41,091
Accounts, net	909	-	909
Interest	902	-	902
Other	5,928	-	5,928
Due from other governments	56,247	-	56,247
Prepaid expenses	12,508	-	12,508
Restricted assets:			
Cash and cash equivalents	<u>57,782</u>	<u>-</u>	<u>57,782</u>
Total assets	<u><u>\$ 2,239,265</u></u>	<u><u>\$ 55,928</u></u>	<u><u>\$ 2,295,193</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,801	\$ -	\$ 32,801
Accrued liabilities	57,893	-	57,893
Due to other funds	14,802	-	14,802
Deferred revenue	80,216	-	80,216
Compensated absences	<u>1,709</u>	<u>-</u>	<u>1,709</u>
Total liabilities	<u>187,421</u>	<u>-</u>	<u>187,421</u>
Fund balances:			
Reserved for purpose restrictions	56,642	-	56,642
Reserved for debt service	-	55,928	55,928
Unreserved	<u>1,995,202</u>	<u>-</u>	<u>1,995,202</u>
Total fund balances	<u>2,051,844</u>	<u>55,928</u>	<u>2,107,772</u>
Total liabilities and fund balances	<u><u>\$ 2,239,265</u></u>	<u><u>\$ 55,928</u></u>	<u><u>\$ 2,295,193</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Total governmental funds balance (Exhibit C)	\$ 2,107,772
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Governmental capital assets	\$2,148,755
Less: accumulated depreciation	<u>(521,246)</u>
	1,627,509
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Governmental notes payable and capital leases payable	(253,801)
Compensated absences	<u>(54,826)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 3,426,654</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 616,842	\$ 44,454	\$ 661,296
Franchise	165,014	-	165,014
Licenses and permits	30,854	-	30,854
Intergovernmental:			
Sales tax	731,246	-	731,246
Local	52,440	-	52,440
State	20,816	-	20,816
Federal	206,077	-	206,077
Charges for services	138,250	-	138,250
Interest	87,768	-	87,768
Fines and forfeitures	75,561	-	75,561
Miscellaneous	138,493	-	138,493
Total revenues	<u>2,263,361</u>	<u>44,454</u>	<u>2,307,815</u>
EXPENDITURES			
Current:			
General government	352,735	-	352,735
Court	62,159	-	62,159
Public safety	873,985	-	873,985
Highways and streets	417,307	-	417,307
Public works	124,626	-	124,626
Culture and recreation	26,370	-	26,370
Miscellaneous	32,816	-	32,816
Debt service:			
Principal payments	46,411	30,444	76,855
Interest and fiscal charges	1,702	6,260	7,962
Capital outlay	117,675	-	117,675
Total expenditures	<u>2,055,786</u>	<u>36,704</u>	<u>2,092,490</u>
Excess of revenues over expenditures	<u>207,575</u>	<u>7,750</u>	<u>215,325</u>
OTHER FINANCING SOURCES			
Insurance proceeds	16,384	-	16,384
Sale of assets	13,988	-	13,988
Total other financing sources	<u>30,372</u>	<u>-</u>	<u>30,372</u>
Net changes in fund balances	237,947	7,750	245,697
Fund balances-beginning	<u>1,813,897</u>	<u>48,178</u>	<u>1,862,075</u>
Fund balances-ending	<u>\$ 2,051,844</u>	<u>\$ 55,928</u>	<u>\$ 2,107,772</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total governmental funds (Exhibit D) \$ 245,697

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 assets over certain thresholds is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 35,013	
Depreciation expense	<u>(73,585)</u>	
Excess of capital outlay over depreciation expense		(38,572)

In the statement of activities, a gain or loss on the retirement/sale of assets is based on the proceeds received and the net book value at the time of sale. The net book value of disposed assets is calculated as follows:

Cost of assets disposed	\$ (47,274)	
Accumulated depreciation on assets disposed	<u>21,375</u>	
Net book value of disposed assets		(25,899)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Other revenues		(21,385)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

76,855

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences		<u>(23,153)</u>
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Change in net assets of governmental activities (Exhibit B) \$ 213,543

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2007**

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	235,849
Accounts receivable, net	143,844
Due from other governments	24,458
Due from other funds	14,802
Prepaid expenses	2,693
Total current assets	<u>421,746</u>
Noncurrent assets:	
Other assets, net	4,048
Restricted assets:	
Cash and cash equivalents	113,023
Capital assets:	
Land and construction in progress	34,915
Buildings and improvements, net	5,495,496
Machinery and equipment, net	93,632
Vehicles under leases, net	66,652
Total noncurrent assets	<u>5,807,766</u>
Total assets	<u>6,229,512</u>
LIABILITIES	
Current liabilities:	
Accounts payable	12,291
Accrued liabilities	13,413
Compensated absences payable	7,045
Note payable	270,512
Bonds payable	40,147
Capital lease	16,152
Payable from restricted assets:	
Customer deposits	57,051
Total current liabilities	<u>416,611</u>
Noncurrent liabilities:	
Note payable	1,987,375
Bonds payable	505,630
Capital lease	12,217
Total noncurrent liabilities	<u>2,505,222</u>
Total liabilities	<u>2,921,833</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,862,710
Restricted	55,972
Unrestricted	388,996
Total net assets	<u>\$ 3,307,678</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 925,178
Tap fees	11,021
Miscellaneous	<u>21,464</u>
Total operating revenues	<u>957,663</u>
OPERATING EXPENSES	
Personnel	187,358
Supplies	59,632
Materials	44,852
Utilities	67,044
Depreciation and amortization	248,764
Other operating expenses	<u>102,882</u>
Total operating expenses	<u>710,532</u>
Operating income	<u>247,131</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	304
Interest expense	<u>(134,179)</u>
Total nonoperating revenues (expenses)	<u>(133,875)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	113,256
Capital contributions	<u>155,637</u>
CHANGE IN NET ASSETS	268,893
TOTAL NET ASSETS-BEGINNING	<u>3,038,785</u>
TOTAL NET ASSETS-ENDING	<u><u>\$ 3,307,678</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 955,992
Payments to suppliers	(306,088)
Payments to employees	(180,899)
Net cash provided by operating activities	<u>469,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Repayment of interfund loans	<u>(358,164)</u>
Net cash used by noncapital financing activities	<u>(358,164)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(24,291)
Proceeds from capital grants	208,399
Proceeds from debt	185,185
Principal paid on capital debt	(267,066)
Interest paid on capital debt	(132,688)
Net cash used by capital and related financing activities	<u>(30,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Restricted customer deposits	6,150
Interest received	305
Net cash provided by investing activities	<u>6,455</u>
Net increase in cash and cash equivalents	86,835
Balances-beginning of the year	<u>262,137</u>
Balances-end of the year	<u>\$ 348,972</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset acquired through state grant	\$ 150,000
Capital asset acquired through lease	19,509
Total non-cash capital and related financing activities	<u>\$ 169,509</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Unrestricted:	
Cash and cash equivalents	\$ 100
Pooled cash and cash equivalents	235,849
Restricted:	
Cash and cash equivalents	113,023
	<u>\$ 348,972</u>

CITY OF POPLARVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 247,131
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	248,764
Bad debt recovery	(193)
Decrease in current assets	
Accounts receivable	(1,478)
Increase (decrease) in current liabilities	
Accounts payable	(31,678)
Accrued liabilities	2,270
Compensated absences	4,189
	<hr/>
Net cash provided by operating activities	<u>\$ 469,005</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Poplarville, Mississippi (City), incorporated in 1876 under the laws of the State of Mississippi and situated in Pearl River County, operates under the Mayor-Board form of government and provides the following services as authorized by its charter: Public Safety (Police, Fire, and Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2007.

II. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units. However, see Notes 9 and 10 for information describing related organizations not included in the City's reporting entity.

III. Government-wide and Fund Financial Statements

Government-wide 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 nonfiduciary activities of the City. *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 the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

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.

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

(A) Basis of Accounting

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(A) Basis of Accounting (Continued)

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these 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 tax revenues are recognized 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 report 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. The City considers revenues to be available if they are collected 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 and claims and judgments, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, sales taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received by the City.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include personnel costs, administrative expenses, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

(B) Fund Types and Major Funds

Governmental Funds

General 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.

Debt Service Fund – The debt service fund accounts for the servicing of long-term general obligation debt and payment of related interest and agency fees.

Proprietary Funds

Water and Sewer Fund – The water and sewer fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges.

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments are recorded at cost, which approximates market value.

(B) Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

An allowance has been provided in the water and sewer enterprise fund for estimated uncollectible charges. The allowance is based on historical collection experience and other relevant circumstances.

(C) Prepaid Items

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

(D) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the enterprise funds represent utility customer deposits subject to refund and amounts restricted per bond covenants. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

(E) Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. However, infrastructure assets acquired or constructed prior to October 1, 2003 are not reported in the basic financial statements, as allowed by GASB Statement No. 34. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(E) Capital Assets (Continued)

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 50 years
Improvements	25 years
Utility system infrastructure	40 years
Machinery and equipment	10 – 25 years
Vehicles	10 – 25 years

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type statement of net assets. Bond issuance costs and bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

(G) Compensated Absences

The City's policy requires employees to use vacation time by the end of the next calendar year after the calendar year in which the leave was earned. All vacation not used within the aforementioned time frame is forfeited. Retiring and terminated employees are paid for all unused vacation. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, or layoff. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements or use of vacation time.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2007. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

(H) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(I) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2: CASH AND INVESTMENTS

(A) Cash

A summary of cash as of September 30, 2007, follows:

	Cash on Hand	Checking and Savings Accounts	Total
Governmental Activities			
General Fund	\$ -	\$ 1,424,566	\$ 1,424,566
Debt Service Fund	-	216,404	216,404
Total governmental activities	-	1,640,970	1,640,970
Business-type Activities			
Enterprise Fund			
Water and Sewer Fund	100	348,872	348,972
Total cash and cash equivalents	\$ 100	\$ 1,989,842	\$ 1,989,942

The City maintained the following restricted assets as of September 30, 2007:

Governmental Activities	
Cash and cash equivalents	
Restricted for public safety use	\$ 51,872
Restricted for unemployment claims	5,910
Total restricted assets - governmental activities	57,782
Business-type Activities	
Cash and cash equivalents	
Restricted for utility customer deposits	57,051
Restricted for bond covenant	55,972
Total restricted assets - business-type activities	113,023
Total restricted assets - government-wide	\$ 170,805

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

NOTE 2: CASH AND INVESTMENTS (Continued)

(A) Cash (Continued)

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is 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 of the Mississippi Code. 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. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2007 are covered by FDIC insurance or by collateral. The City's deposits are not subject to custodial credit risk.

At September 30, 2007, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$1,997,136	\$1,989,842

(B) Investments

Mississippi municipalities may invest surplus funds in certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

At September 30, 2007, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2006	Purchases	Maturities	Balance September 30, 2007
BankPlus 4.91% interest, matured March 4, 2007	\$ 200,000	\$ -	\$ (200,000)	\$ -
BankPlus 4.91% interest, matured March 21, 2007	200,000	-	(200,000)	-
BankPlus 5.10% interest, matured August 31, 2007	-	200,000	(200,000)	-
BankPlus 5.0% interest, matured September 21, 2007	-	200,000	(200,000)	-
First National Bank 5.06% matures February 29, 2008	-	200,000	-	200,000
BankPlus 4.94% interest, matures March 21, 2008	-	200,000	-	200,000
Total	\$ 400,000	\$ 800,000	\$ (800,000)	\$ 400,000

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

NOTE 3: RECEIVABLES

Receivables at September 30, 2007 consist of the following:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water and Sewer Fund</u>	
Property taxes	\$ 9,017	\$ 715	\$ -	\$ 9,732
Sales tax	126,906	-	-	126,906
Franchise taxes	41,091	-	-	41,091
Accounts, gross	909	-	182,546	183,455
Interest	902	-	-	902
Other	5,928	-	-	5,928
Due from other governments	56,247	-	24,458	80,705
Total receivables, gross	241,000	715	207,004	448,719
Less allowance for doubtful receivables	-	-	(38,702)	(38,702)
Total receivables, net	<u>\$ 241,000</u>	<u>\$ 715</u>	<u>\$ 168,302</u>	<u>\$ 410,017</u>

(A) Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Pearl River County tax assessor from information extracted from the County assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1 and personal property taxes become a lien on March 1. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. Taxes on real and personal property are levied by the Board at the first regular meeting in September. The City's tax assessment roll is then approved by the Board after a series of public hearings to receive citizens' objections. The City bills and collects the real and personal property taxes, and Pearl River County bills and collects auto ad valorem and mobile home taxes for the City. These taxes are remitted by the County monthly to the City. In addition, the County also remits to the City a prorata share of road and bridge taxes they collect.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2007, was 54 mills or \$54.00 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2007 have been provided below.

The assessed valuations of the City for the year ended September 30, 2007 are as follows:

Real property	\$ 7,367,328
Personal property	1,379,085
Public utilities	1,852,956
Automobiles	<u>1,808,874</u>
Totals	<u>\$ 12,408,243</u>

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

NOTE 3: RECEIVABLES (Continued)

(A) Property Taxes (Continued)

The tax levies for the City for the years ended September 30, 2007, 2006, and 2005 are as follows:

	2007	2006	2005
General Fund	50.50	50.50	47.00
Debt Service Fund	3.50	3.50	4.00
Total levy	54.00	54.00	51.00

(B) Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Poplarville) back to the City monthly. Sales tax revenue reported in the general fund was \$731,246. Sales taxes receivable consists of taxes collected by the State for August and September 2007 not received by the City until October and November 2007.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at September 30, 2007:

	Governmental Activities		Business-type Activities	Total
	General Fund	Debt Service Fund	Water and Sewer Fund	
Due from FEMA	\$ 34,469	\$ -	\$ 24,458	\$ 58,927
Due from State of MS	2,778	-	-	2,778
Due from HUD	19,000	-	-	19,000
Total receivables	\$ 56,247	\$ -	\$ 24,458	\$ 80,705

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	Additions	Disposals	Balance September 30, 2007
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 467,053	\$ -	\$ -	\$ 467,053
Capital assets, being depreciated:				
Buildings and improvements	675,548	-	-	675,548
Machinery and equipment	420,644	35,013	-	455,657
Vehicles	432,758	-	(47,274)	385,484
Equipment under lease	38,238	-	-	38,238
Vehicles under lease	126,774	-	-	126,774
Total capital assets, being depreciated	<u>1,693,962</u>	<u>35,013</u>	<u>(47,274)</u>	<u>1,681,701</u>
Less accumulated depreciation for:				
Buildings and improvements	(210,000)	(15,988)	-	(225,988)
Machinery and equipment	(80,896)	(21,607)	-	(102,503)
Vehicles	(156,885)	(22,636)	21,375	(158,146)
Equipment under lease	(1,817)	(1,704)	-	(3,521)
Vehicles under lease	(19,437)	(11,650)	-	(31,087)
Total accumulated depreciation	<u>(469,035)</u>	<u>(73,585)</u>	<u>21,375</u>	<u>(521,245)</u>
Total capital assets, being depreciated, net	<u>1,224,927</u>	<u>(38,572)</u>	<u>(25,899)</u>	<u>1,160,456</u>
Total governmental activities capital assets, net	<u>\$ 1,691,980</u>	<u>\$ (38,572)</u>	<u>\$ (25,899)</u>	<u>\$ 1,627,509</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 34,915	\$ -	\$ -	\$ 34,915
Capital assets, being depreciated:				
Buildings and improvements	9,700,659	163,968	-	9,864,627
Machinery and equipment	184,480	10,325	-	194,805
Vehicles under lease	62,928	19,510	-	82,438
Total capital assets, being depreciated	<u>9,948,067</u>	<u>193,803</u>	<u>-</u>	<u>10,141,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,134,798)	(234,333)	-	(4,369,131)
Machinery and equipment	(93,115)	(8,059)	-	(101,174)
Vehicles under lease	(9,796)	(5,989)	-	(15,785)
Total accumulated depreciation	<u>(4,237,709)</u>	<u>(248,381)</u>	<u>-</u>	<u>(4,486,090)</u>
Total capital assets, being depreciated, net	<u>5,710,358</u>	<u>(54,578)</u>	<u>-</u>	<u>5,655,780</u>
Total business-type activities capital assets, net	<u>\$ 5,745,273</u>	<u>\$ (54,578)</u>	<u>\$ -</u>	<u>\$ 5,690,695</u>

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

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 6,282
Public safety	55,306
Public works	<u>11,997</u>
Total governmental activities depreciation expense	<u>\$ 73,585</u>
Business-Type Activities	
Water and sewer	<u>\$ 248,381</u>

NOTE 6: LONG-TERM DEBT

Changes in outstanding debt during the year ended September 30, 2007 are as follows:

	Balance October 1, 2006	Additions	Principal Payments/ Reductions	Balance September 30, 2007	Due within One Year
Governmental Activities					
Notes payable	\$ 243,622	\$ -	\$ (30,444)	\$ 213,178	\$ 31,376
Capital leases payable	87,034	-	(46,411)	40,623	26,205
Compensated absences payable	33,292	23,243	-	56,535	1,709
Total governmental activities	<u>\$ 363,949</u>	<u>\$ 23,243</u>	<u>\$ (76,855)</u>	<u>\$ 310,336</u>	<u>\$ 59,290</u>
Business-type Activities					
Note payable	\$ 2,468,714	\$ -	\$ (210,827)	\$ 2,257,887	\$ 270,512
Bonds payable	398,412	185,185	(37,820)	545,777	40,147
Capital leases payable	27,279	19,509	(18,419)	28,369	16,152
Compensated absences payable	2,856	4,189	-	7,045	7,045
Total business-type activities	<u>\$ 2,897,261</u>	<u>\$ 208,883</u>	<u>\$ (267,066)</u>	<u>\$ 2,839,078</u>	<u>\$ 333,856</u>

(A) Notes Payable

At September 30, 2007 the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2007
Governmental Activities:					
State of Mississippi	1/17/1997	2/1/2012	4.00%	\$ 213,000	\$ 75,260
State of Mississippi	4/1/2006	3/1/2016	2.00%	<u>161,191</u>	<u>137,918</u>
Total governmental activities				<u>374,191</u>	<u>213,178</u>
Business-type Activities:					
State of Mississippi, State Revolving Fund Loan	8/15/1996	4/15/2016	4.00%	<u>4,151,089</u>	<u>2,257,887</u>
Total notes payable at year-end				<u>\$ 4,525,280</u>	<u>\$ 2,471,065</u>

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

NOTE 6: LONG-TERM DEBT (Continued)

(A) Notes Payable (Continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2008	\$ 31,376	\$ 5,329	\$ 270,512	\$ 97,094	\$ 404,311
2009	32,342	4,363	230,643	86,863	354,211
2010	33,341	3,364	241,238	76,368	354,311
2011	34,375	2,330	252,321	65,285	354,311
2012	22,845	1,409	263,913	53,694	341,861
2013-2016	58,899	2,090	999,260	87,163	1,147,412
Total	<u>\$ 213,178</u>	<u>\$ 18,885</u>	<u>\$ 2,257,887</u>	<u>\$ 466,467</u>	<u>\$ 2,956,417</u>

(B) Bonds Payable

At September 30, 2007 the City's outstanding revenue bonds payable are described as follows:

	Date of Issue	Original Issue	Final Maturity Date	Rates	Balance September 30, 2007
Business-type Activities:					
Revenue bond (acquired by GMAC Commercial Mortgage)	5/5/1981	\$ 883,000	9/30/2016	5.00%	\$ 362,573
Revenue bond (acquired by the USDA)	11/16/2006	185,185	2/16/2041	4.38%	183,204
Total bonds payable at year-end					<u>\$ 545,777</u>

The annual bonded debt service requirements to maturity for the revenue bonds are as follows:

Year Ending September 30,	Business-type Activities		Total Requirements
	Principal	Interest	
2008	\$ 40,147	\$ 25,481	\$ 65,628
2009	42,185	23,443	65,628
2010	44,327	21,301	65,628
2011	46,576	19,052	65,628
2012	48,941	16,687	65,628
2013-2041	323,601	140,130	463,731
Total	<u>\$ 545,777</u>	<u>\$ 246,094</u>	<u>\$ 791,871</u>

The City's Water and Sewer Revenue Bond dated May 5, 1981, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Operation and Maintenance Fund - Into which shall be deposited all revenues derived from water and sewer services to pay all expenses of the waterworks and sewer system.
- Water and Sewer System Bond Cushion Fund - Into which shall be deposited \$325 per month until the funds and investments shall equal \$40,000.

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

NOTE 6: LONG-TERM DEBT (Continued)

(B) Bonds Payable (Continued)

- Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$75 per month until the funds and investments shall equal \$9,000.
- Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$50 per month until the funds and investments shall equal \$6,000.

The City's Water and Sewer Revenue Bond dated November 16, 2006, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Water and Sewer System Bond Cushion Fund - Into which shall be deposited \$44 per month until the funds and investments shall equal \$5,304.
- Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.
- Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.

These monies are not separate funds but are restricted accounts within the water and sewer fund.

At September 30, 2007 the balances in the restricted accounts required by the bond covenants are as follows:

	Required Balance	Balance 9/30/2007	(Under) Over Funded
Bond cushion fund	\$ 40,486	\$ 40,486	\$ -
Depreciation fund	9,243	9,243	-
Contingent fund	6,243	6,243	-
	\$ 55,972	\$ 55,972	\$ -

(C) Capital Leases Payable

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The general capital lease obligations outstanding as of September 30, 2007 are as follows:

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

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases Payable (Continued)

	Date Issued	Effective Interest Rate	Original Amount	Outstanding Present Value
Governmental Activities:				
2005 Ford Crown Victoria	3/8/2005	3.03%	\$ 20,425	\$ 3,543
2005 GMC Sierra	1/16/2005	3.03%	12,129	1,056
2005 GMC Sierra	5/15/2005	3.29%	14,867	3,432
Kubota tractor	5/31/2006	3.88%	23,368	13,360
2006 Ford Crown Victoria	7/21/2006	3.88%	30,678	19,232
Total governmental activities			<u>101,467</u>	<u>40,623</u>
Business-type Activities:				
2005 GMC Sierra	12/12/2004	3.03%	14,624	1,273
2005 International sewer truck	6/15/2005	3.29%	33,190	8,607
2007 Ford F-150	7/23/2007	4.27%	19,509	18,489
			<u>67,323</u>	<u>28,369</u>
Total capital leases at year-end			<u>\$ 168,790</u>	<u>\$ 68,992</u>

The following is an analysis of property leased under capital leases as of September 30, 2007:

	Cost	Accumulated Amortization	Net Book Value
Governmental Activities			
Vehicles	\$ 78,099	\$ (14,002)	\$ 64,097
Machinery and equipment	23,368	(1,558)	21,810
	<u>101,467</u>	<u>(15,560)</u>	<u>85,907</u>
Business-type Activities			
Vehicles	67,323	(11,024)	56,299
	<u>\$ 168,790</u>	<u>\$ (26,584)</u>	<u>\$ 142,206</u>

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2007:

Year Ending September 30,	Governmental Activities	Business-type Activities
2008	\$ 27,214	\$ 16,921
2009	14,653	6,940
2010	-	5,784
Total minimum lease payments	41,867	29,645
Less amount representing interest	(1,244)	(1,276)
Present value of minimum payments	<u>\$ 40,623</u>	<u>\$ 28,369</u>

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$1,861,236, of which approximately \$1,648,000 is available to the City for further borrowing.

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

NOTE 7: INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services.

(A) Interfund Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables consisted of the following at September 30, 2007:

	Due To	
	Governmental Activities	Business-type Activities
	General Fund	Water and Sewer Fund
Due From		
Governmental Activities:		
General	\$ 14,802	\$ -
Business-type Activities:		
Water and Sewer	-	14,802
Total	\$ 14,802	\$ 14,802

The City began construction on a new water well in 2004. Due to the critical need for this new well, the City started construction prior to obtaining financing. The Board authorized construction to begin and for the General Fund to pay for construction costs until financing could be obtained. In 2004, the General Fund paid \$232,148 on behalf of the Water and Sewer Fund for well construction. The funding was received during the year ended September 30, 2007. The Water and Sewer Fund paid \$246,950 to the General Fund in fiscal year 2007, which represents an overpayment of \$14,802.

Also, the City previously assessed a \$1.50 per month surcharge on utility bills to repay other amounts owed by the Water and Sewer Fund to the General Fund. Based on the number of utility customers, approximately \$20,000 per year is collected by the surcharge and repaid to the General Fund. A balance of \$111,214 remained unpaid at September 30, 2006 on these advances. However in 2007, surcharges totaling \$21,464 were applied to the outstanding balance, along with \$89,750 directly from the Water and Sewer Fund. Accordingly, the advances have been completely repaid as of September 30, 2007.

(B) Interfund Transfers

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administrations of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. There were no interfund transfers between funds during the year ended September 30, 2007.

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

NOTE 8: RESTRICTED NET ASSETS

(A) Governmental Activities

The City is required by Mississippi Code Section 71-5-359 to set aside funds in excess of 2% of the prior year's covered wages (i.e., the first \$6,000 of wages paid to an employee) to pay future unemployment compensation claims. Currently, the City has \$5,910 in its unemployment compensation fund, which is \$992 more than the \$4,918 required by the State Code. Additionally, the City receives cash from court judgments where the defendant is ordered to forfeit cash seized in the arrest. The use of these funds by the City is restricted to enhancing public safety efforts. At September 30, 2007, the City had \$50,732, net of restricted accounts payable, in its forfeiture fund. Therefore, total restricted net assets was \$56,642 at September 30, 2007.

(B) Business-type Activities

The City's bond covenants, as more fully explained at Note 6, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent restrictions of the water and sewer fund's net assets.

The restricted portions are as follows:

Restricted Assets	
Customer deposits	\$ 57,051
Revenue bond cushion fund account	40,486
Revenue bond depreciation account	9,243
Revenue bond contingent account	6,243
Total restricted accounts	113,023
Liabilities Payable from Restricted Assets	
Customer deposits	57,051
Restricted net assets	\$ 55,972

NOTE 9: JOINT VENTURE

The Poplarville – Pearl River County Airport is a joint venture between the City and Pearl River County. The City and Pearl River County jointly lease the land and own the buildings of the Poplarville – Pearl River County Airport. The City provides \$3,300 each year to the Airport (the City also provides liability insurance and utilities) and the County provides \$5,000. Any potential future financial benefit or burden to the City resulting from the airport is not determinable at this time. The Poplarville – Pearl River County Airport does not issue financial statements at this time.

NOTE 10: EXCLUDED ENTITY

The Poplarville Public Library Branch of the Pearl River County Library System is excluded from the financial reporting entity. The City has no significant influence over the management, budget, or policies of the library. The City owns the Poplarville Public Library land and building which are recorded in the City's governmental capital assets as follows: Land, \$40,000; Building and improvements, \$250,530. The City also provided \$22,000 in support during the year ended September 30, 2007, and pays the liability insurance policy for the library. The Pearl River County Library System's financial information is reported independently.

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

NOTE 11: RETIREMENT PLANS

(A) Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan as described below:

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee 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.

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary. In the year ended September 30, 2007, City employees contributed \$119,705. The City is required to contribute at an actuarially determined rate, currently 11.85% (10.3% prior to July 1, 2007) of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2007, 2006, and 2005, were \$119,705, \$92,037, and, \$87,293 respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 12: COMMITMENTS AND CONTINGENCIES

(A) Litigation

The City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(B) Grants and Awards

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

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

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

(C) City Wastewater Treatment Facility

The City's Water and Sewer Fund operates a wastewater treatment facility that is regulated by the Environmental Protection Agency (EPA) and the Mississippi Department of Environmental Quality (DEQ). Changes in the EPA or DEQ laws and regulations could have a direct effect on the Water and Sewer Fund and the City. The possibility of additional liability related to changes in these laws and regulations exists. However, this liability cannot be determined at this time.

In October 2007, the City reached an agreement with the newly formed Pearl River County Utility Authority (Authority) whereby the sewer treatment plant and collection system will be transferred to the Authority in exchange for the assumption of the City's outstanding SRF loan (totaling \$2,257,887 at September 30, 2007). The transfer is expected to result in a loss of at least \$1,300,000 to the City.

(D) Water Tank Maintenance Contract

The City entered into a contract with Tank Pro, Inc. in 2001 for the annual inspection, maintenance, and repair of the City's water tank. The City paid Tank Pro, Inc. \$6,558 in the year ended September 30, 2007. Annual payments are required by the City in the amount of \$6,558 for 2008, \$7,050 for 2009 through 2011, and a final payment of \$7,580 in 2012. The City has the option to cancel the agreement provided that they give Tank Pro, Inc. one year's advance notice.

(E) Garbage Collection Contract

The City renewed its contract with Waste Management of Mississippi, Inc. in May 2005. The term of the contract runs from June 1, 2005 through May 31, 2008. Waste Management picks up and disposes of garbage collected from residential and light commercial businesses at a cost of \$10.82 per location prior to August 2006. In August 2006, the City entered into a fixed price contract with Waste Management of \$10,229 per month for the City's services. The City paid Waste Management \$124,626 for garbage collection for the year ended September 30, 2007.

NOTE 13: RISK MANAGEMENT

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

(A) Self-Insurance – Workers Compensation Fund

The City is one of approximately 250 members in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

(B) Self-Insurance – Liability Fund

The City is one of approximately 250 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

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

NOTE 14: SUBSEQUENT EVENTS

In December 2007, the City approved bids totaling \$589,357 for street paving and sidewalk and curb improvements. These improvements will be funded through FEMA.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes				
Property	\$ 620,380	\$ 620,380	\$ 622,157	\$ 1,777
Sales	744,464	744,464	738,876	(5,588)
Licenses, permits, and franchise fees	156,500	156,500	193,698	37,198
Intergovernmental	56,500	56,500	360,906	304,406
Charges for services	123,500	123,500	138,250	14,750
Interest	42,000	42,000	87,768	45,768
Fines and forfeitures	75,000	75,000	75,561	561
Miscellaneous	46,695	46,695	135,125	88,430
Total revenues	<u>1,865,039</u>	<u>1,865,039</u>	<u>2,352,341</u>	<u>487,302</u>
EXPENDITURES				
Current:				
General government				
Personnel services	229,301	238,113	231,478	6,635
Supplies	16,260	16,260	9,775	6,485
Other services and charges	77,073	115,073	118,507	(3,434)
Capital outlay	2,600	2,600	2,537	63
Total general government	<u>325,234</u>	<u>372,046</u>	<u>362,297</u>	<u>9,749</u>
Court				
Personnel services	55,708	55,708	55,787	(79)
Supplies	1,200	1,200	744	456
Other services and charges	3,490	6,336	5,629	707
Capital outlay	1,400	1,400	1,357	43
Total court	<u>61,798</u>	<u>64,644</u>	<u>63,517</u>	<u>1,127</u>
Public safety				
Police				
Personnel services	538,251	538,251	531,437	6,814
Supplies	44,865	45,135	45,056	79
Other services and charges	48,280	48,280	38,706	9,574
Capital outlay	71,858	71,858	12,431	59,427
Fire				
Personnel services	178,519	193,311	194,062	(751)
Supplies	32,200	32,200	15,689	16,511
Other services and charges	12,116	95,116	36,300	58,816
Capital outlay	14,287	21,708	99,400	(77,692)
Total public safety	<u>940,376</u>	<u>1,045,859</u>	<u>973,081</u>	<u>72,778</u>
Highways and streets				
Personnel services	188,533	194,766	195,391	(625)
Supplies	40,300	42,234	39,544	2,690
Other services and charges	114,450	173,323	182,372	(9,049)
Capital outlay	17,855	17,855	1,000	16,855
Total highway and streets	<u>361,138</u>	<u>428,178</u>	<u>418,307</u>	<u>9,871</u>
Public works				
Other services and charges	123,000	124,630	124,626	4
Culture and recreation				
Other services and charges	32,450	32,450	26,370	6,080

CITY OF POPLARVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES, Continued				
Miscellaneous				
Cemetery				
Capital outlay	-	950	950	-
Other services and charges	20,000	26,782	27,394	(612)
Airport				
Other services and charges	4,930	5,433	5,422	11
Total miscellaneous	24,930	33,165	33,766	(601)
Debt service	48,113	48,113	48,113	-
Total expenditures	1,917,039	2,149,085	2,050,077	99,008
Excess (deficiency) of revenues over expenditures	(52,000)	(284,046)	302,264	586,310
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	16,384	16,384
Debt proceeds	52,000	52,000	-	(52,000)
Sale of assets	-	-	13,988	13,988
Repayment of interfund loan	-	-	358,164	358,164
Total other financing sources (uses)	52,000	52,000	388,536	336,536
Net change in fund balances	-	(232,046)	690,800	\$ 922,846
Fund balances-beginning, budget basis	762,198	1,401,933	1,401,933	
Fund balances-ending, budget basis	\$ 762,198	\$ 1,169,887	2,092,733	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year.			411,964	
Change in taxes receivable			(5,315)	
Change in franchise fee receivable			2,170	
Change in sales tax receivable			(7,630)	
Change in other receivable			3,368	
Change in due from other governments			(159,362)	
Change in interfund loan			(358,164)	
Change in accrued expenses			(5,620)	
Change in deferred revenue			77,789	
Change in compensated absences			(89)	
Fund balances-ending, GAAP basis			\$ 2,051,844	

See note to budgetary comparison schedule.

**CITY OF POPLARVILLE, MISSISSIPPI
NOTE TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE A: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year.

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

The Budgetary Comparison Schedule presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the net change in fund balance for the year ended September 30, 2007 is presented at the end of the Budgetary Comparison Schedule.

SUPPLEMENTARY INFORMATION

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Assessed Value	Tax
ADJUSTED ASSESSED VALUATION		
Realty	\$ 7,367,328	\$ 397,836
Personal - other than auto	1,379,085	74,471
Public utilities	1,852,956	100,060
Personal - auto and mobile home	1,808,874	97,679
Total City of Poplarville at 54 mills	12,408,243	670,046
Less: Homestead exemption allowed	1,288,607	69,585
Total City of Poplarville	\$ 11,119,636	600,461
Add: Actual homestead reimbursement		45,703
County road taxes		23,505
Prior year tax collections		10,762
Penalties and interest on delinquent taxes		8,849
In-lieu of taxes		2,620
Deduct: County fees withheld		(4,890)
State tax sales		(297)
Adjustments to roll		(8,806)
Unpaid realty, personal and utility taxes		(5,628)
Total to be accounted for		\$ 672,279

COLLECTIONS

	Taxes	Homestead Reimbursement	Total
Collections allocated to fund			
General fund	\$ 576,603	\$ 42,120	\$ 618,723
Debt service	40,872	3,583	44,455
	\$ 617,475	\$ 45,703	663,178
		Unaccounted for	9,101
			\$ 672,279

See independent auditors' report.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2007

<u>Official's Title</u>	<u>Name</u>	<u>Surety Company</u>	<u>Coverage Amount</u>
City Clerk and Tax Collector	Jody Stuart	Travelers'	\$ 85,000
Chief of Police	Charles Fazende	Travelers'	\$ 50,000
Blanket Bond for Police Officers	N/A	EMC Insurance	\$ 10,000
Blanket Bond for Deputy Clerks and Court Clerk	N/A	CNA Surety	\$ 20,000
Blanket Bond for Alderpersons	N/A	Travelers'	\$ 50,000

See independent auditors' report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 26, 2008

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Poplarville, Mississippi, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

Court Fines

Court fines for the year ended September 30, 2007 declined by approximately 29% over the year ended September 30, 2006 (or \$29,967). Due to concerns raised in previous years, the City engaged a court consultant to analyze the City's software capabilities. The consultant's report appears to indicate that there is sufficient capability within the program to provide reports that can assist the City in its oversight responsibilities. However, a system of oversight has not been established yet. It is important that the City design a system of oversight based on reports that reflect total assessments in a given reporting period, cases dismissed or assessed community service, collections posted against monetary fines, and outstanding unpaid court fines.

Views of Responsible Officials & Planned Corrective Actions:

An oversight system has not been developed yet because the City has concentrated on training issues first. Subsequent to year end, the City promoted the Deputy Court Clerk to replace the existing Court Clerk. The City intends to address establishing a system of monitoring the Court Department in the near future.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
February 26, 2008

Internal Control over Financial Accounting and Reporting

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Although management may choose to outsource such services due to time, cost, or training considerations, such accounting functions and service providers must be governed by the control policies and procedures of the City. Management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services and for evaluating the adequacy and results of those services and accepting responsibility for them.

Currently, in order to provide better internal control, certain accounting functions are outsourced by the City, such as financial statement preparation and bank reconciliations. The financial statement preparation process includes the preparation of schedules necessary to propose journal entries needed to convert cash-basis records to a modified accrual basis for fund level financial reporting and full-accrual basis for government-wide level financial reporting. The City has designated the City Clerk to oversee such services. Because of the complex nature of these services and the fact that the adjustments are significant to the financial statements, consideration should be given to ensuring that the City Clerk is provided with additional training opportunities necessary to adequately oversee all outsourced financial services.

Views of Responsible Officials & Planned Corrective Actions:

Management has long recognized the fact that there is a cost-benefit relationship to outsourcing certain financial functions. Management also recognizes its responsibility for monitoring such services. Accordingly, consideration will be given to providing additional training opportunities to the City Clerk.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poplarville, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below. However, we did note certain matters that we reported to management of the City of Poplarville, Mississippi in a separate letter dated February 26, 2008.

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi
February 26, 2008

The City of Poplarville, Mississippi's responses to the findings identified in our audit have been described above. We did not audit the City of Poplarville, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, Mayor, and Board of Alderpersons and is not intended to be and should not be used by anyone other than these specified parties.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi



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

February 26, 2008

Honorable Mayor and Members
of the Board of Alderpersons
Poplarville, Mississippi

We have audited the financial statements of the City of Poplarville as of and for the year ended September 30, 2007, and have issued our report thereon dated February 26, 2008. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed one instance of noncompliance with state laws and regulations, as noted below:


Finding:

The City purchased equipment from a sole-source vendor totaling \$35,012 during the year. However, there is no Board approval documented in the minutes as required by State purchasing laws.

Views of Responsible Officials & Planned Corrective Actions:

The purchase in question was made directly by the department Director. As a result, the City Clerk inadvertently overlooked placing this sole-source purchase on the docket for approval by the Board of Alderpersons. All future sole-source purchases will be properly presented to the Board.

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


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi