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CITY OF SENATOBIA, MISSISSIPPI
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

RECEIVED

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STATE AUDITOR'S OFFICE

CITY OF SENATOBIA, MISSISSIPPI

*ANNUAL FINANCIAL REPORT
Year Ended September 30, 2007*

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of Senatobia
Senatobia, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Senatobia, Mississippi's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, 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.

The Management's Discussion and Analysis and the budgetary information on pages 2-5 and 26 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Senatobia, Mississippi's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
November 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Senatobia's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the City's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials.

The purpose of this discussion and analysis is twofold: 1) Comply with the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement NO. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999, and 2) Give the reader a clear understanding of the financial activities that occurred during the fiscal year.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$731,308.
- Total General revenues were \$5,736,849.
- Total Business-type revenues (sales of water, gas, and sewer) were \$5,987,602.
- Expenses for the City were \$11,471,884 (including \$1,079,339 in depreciation expense)

OVERVIEW OF FINANCIAL STATEMENTS

These statements consist of two types of financial statements:

Government-Wide financial statements - These financial statements are designed to provide the reader with an overview of the City's finances, similar to what you'd find in a private business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and 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 revenues are received or expenditures are made; therefore, some of the expenses reported might reflect payments we've made during this fiscal year related to projects or activities from a prior fiscal year. Likewise, some of the revenues reported may reflect funding we've secured for activities or projects that we're contemplating for the future.

Governmental Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over monies that have been earmarked for specific activities of projects. These financial statements do not include any of the “business” type funds, which are our water, sewer, and gas. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

currently have the General Fund, 2003 Construction Fund, BMW Project fund, 2006 Project fund, and Other Governmental Funds.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as an indicator of the City's financial position. For the City of Senatobia, net assets exceed liabilities by \$15,762,544.00.

The largest portion of the City's net assets can be found in Fixed assets (land, buildings, building improvements, equipment) less any encumbrance. The City uses these capital assets to provide services; therefore, these assets may not be available for future spending.

Below is a summary and a prior year comparison of the City's net assets.

	<i>FYE 09/30/2006</i>	<i>FYE 09/30/2007</i>
Current assets	\$10,655,424	\$ 7,746,386
Capital assets, net	20,102,226	22,804,193
Total Assets	<u>30,757,650</u>	<u>30,550,579</u>
Current liabilities	1,332,739	1,496,419
Long term debt outstanding	14,393,675	13,291,616
Total liabilities	<u>15,726,414</u>	<u>14,788,035</u>
Net assets		
Invested in capital assets, net of related debt	9,468,582	12,970,031
Restricted	930,545	535,688
Unrestricted	4,632,109	2,123,622
Total net assets	<u>\$15,031,236</u>	<u>\$15,629,341</u>
	<i>FYE 09/30/2006</i>	<i>FYE 09/30/2007</i>
Revenues:		
Taxes and other sources	\$ 4,484,124	\$ 4,189,017
Charges for services	7,074,060	6,415,570
Rents, interest, net transfers	1,274,360	1,598,605
Total Revenues	<u>12,832,544</u>	<u>12,203,192</u>
Expenses:		
Governmental activities	4,792,029	4,977,500
Services (water, sewer, gas, garbage)	6,794,510	6,494,384
Total Expenses	<u>11,586,539</u>	<u>11,471,884</u>
Increase in net assets	<u>\$ 1,246,005</u>	<u>\$ 731,308</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The City of Senatobia had a good financial year for the period ending September 30, 2007. A city's function is not to produce a profit, but we must maintain a level of revenues in excess of expenditures in order to maintain the overall financial health and viability of the City. During this fiscal year we experienced solid sales tax revenues, which continue to be our largest source of general fund revenue. We anticipate significant residential growth in our community in the next few years, and are optimistic that new residential growth will increase the possibility of more retailers who will provide added opportunity for local dollars to stay at home.

Our millage rate was 14 mills for FYE 2007, which continues to be one of the lowest in the State of Mississippi. Our expectation is that we will need to increase millage in future years in order to provide the levels of service that our citizens expect and deserve.

It was reported in the FYE 2006 MD&A that changes in assets and liabilities can be attributed for the most part to bond proceeds in excess of \$3.5 million that were received in August 2006. As of FYE 2007, the majority of these funds have been spent for the construction of a new natural gas line and improvements to the City of Senatobia's existing natural gas distribution system.

Water and sewer rates were reviewed in the fall of 2006 by Allen & Hoshall Engineering, and it was determined that the City of Senatobia should remain at the current rate levels. We will review water and sewer rates again in 2008.

The City of Senatobia completed an annexation in 2006 that added what should be significant commercial, industrial, and residential areas to our community. This annexation was spurred by the completion of State Route 740, a 4-lane divided highway between Interstate 55 and US Highway 51. The 740 connector is entirely within the city limits. The City contemplated areas for this recent annexation that were either already served by municipal utilities (water or sewer, or a combination of the two) or that were close to existing water and sewer infrastructure.

Currently, the City of Senatobia is revising their Comprehensive Plan and Zoning ordinance. This is being done to regulate and encourage proper growth.

As with other municipalities and county governments, we endeavor to provide reliable health and workmen's compensation insurance coverage for our employees as well as a solid property and casualty insurance program to protect the assets of the City. During FYE 2007 we've experienced modest premium increases for all of these coverage items; however, we've been able to maintain solid and affordable coverage.

BUDGETARY HIGHLIGHTS

The City's fiscal operating budget for both the General funds and the Utility fund are prepared, presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The City endeavors to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, it is necessary for the City to amend its budget from time to time during the fiscal year. For the fiscal year ending September 30, 2007, the City of Senatobia did have a few revisions that were required. These revisions are attributed to variations in tax revenues and the timing of payments for construction and improvement projects that span multiple fiscal years.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City of Senatobia is involved in pending litigation brought by James L. Presley et al alleging damages sustained when the city denied their rezoning request in November 2001 to allow for the mining of gravel on their property. Our liability insurance carrier does not defend this type of suit; therefore we are on our own for our legal fees and any subsequent damages should this ultimately end up not in our favor. The Presley family is seeking damages from the City of Senatobia in excess of \$1 million. The lower courts have ruled in favor of the City of Senatobia, and the Presley family has filed an appeal to the Mississippi Supreme Court. As of September 30, 2007, there was no ruling.

The City of Senatobia is involved in several rather routine lawsuits and demands common to any small municipality. These actions have been presented to our liability carrier and each should be handled appropriately by our liability carrier.

The City of Senatobia has a contract with T.L. Wallace Construction for industrial park renovations. This contract was entered into in August 2003 with an estimated completion date of April 2008. This project is essentially complete, except for the clearing and grading of a portion of a 61.5 acre parcel. As of September 30, 2007 we are awaiting the final clearing, grading, inspections and approval from our construction engineer. Contract amount is \$501,906.75 and the contractor is still due approximately \$190,000.00, to be paid upon successful completion of the project.

The City of Senatobia is currently undertaking several new construction projects and should have these substantially complete by September 30, 2008. Specifically: Improvements to the natural gas distribution system; installation of a new water line for fire protection in Southfork Subdivision, the paving of a new section of road for Miracle Drive / Woolfolk Rd; the construction of an Animal Shelter (a joint venture with Tate County); and other utility and road improvement projects.

CONTACT:

If you have any questions concerning this report, please contact the Mayor's Office, City of Senatobia, 133 N Front St, Senatobia, MS 38668. Telephone 662-562-4474.

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BASIC FINANCIAL STATEMENTS

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Assets
September 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash in bank and on hand	\$ 1,662,239	\$ 2,219,606	\$ 3,881,845
Property taxes receivable	732,916	-	732,916
Accounts receivable	29,772	323,451	353,223
Intergovernmental receivables	175,817	-	175,817
Franchise tax receivable	51,514	-	51,514
Interest receivable	35,712	15,820	51,532
Prepaid expense	25,197	-	25,197
Inventory	-	928,209	928,209
Due from other funds	22,773	-	22,773
Other assets	435	-	435
Restricted assets:			
Customer deposits	-	211,279	211,279
Cash in bank	683,335	474,545	1,157,880
Bond issue costs (net)	-	153,766	153,766
Fixed assets (net, where applicable, of accumulated depreciation)	9,010,940	13,793,253	22,804,193
Total assets	12,430,650	18,119,929	30,550,579
Liabilities			
Accounts payable	178,699	104,769	283,468
Deferred revenue	732,916	-	732,916
Accrued expenses	74,640	85,980	160,620
Due to other funds	-	22,773	22,773
Customer deposits	-	211,279	211,279
Escrow deposit	-	85,363	85,363
Non-current liabilities			
Due within one year			
General obligation bonds payable - current	240,000	-	240,000
Loans payable - current	103,651	-	103,651
Revenue bonds payable - current	27,156	608,884	636,040
Due in more than one year			
Compensated absences payable	88,993	36,815	125,808
General obligation bonds payable	2,330,000	-	2,330,000
Loans payable	657,995	-	657,995
Revenue bonds payable	992,933	8,205,189	9,198,122
Total liabilities	5,426,983	9,361,052	14,788,035
Net assets			
Invested in capital assets, net of related debt	7,990,851	4,979,180	12,970,031
Restricted for:			
Capital projects	535,688	-	535,688
Debt service	-	-	-
Special revenue	133,203	-	133,203
Unrestricted	(1,656,075)	3,779,697	2,123,622
Total net assets	\$ 7,003,667	\$ 8,758,877	\$ 15,762,544

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2007

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities							
Administrative	\$ 804,196	\$ -	\$ -	\$ -	\$ (804,196)	\$ -	\$ (804,196)
Animal shelter	2,935	-	-	-	(2,935)	-	(2,935)
Attorney	33,997	-	-	-	(33,997)	-	(33,997)
Cemetery	16,200	29,000	-	-	12,800	-	12,800
Fire	812,437	-	-	19,000	(793,437)	-	(793,437)
Industrial Park	55,240	-	-	-	(55,240)	-	(55,240)
Inspector	61,449	39,771	-	-	(21,678)	-	(21,678)
Interest on long-term debt	639,199	-	-	-	(639,199)	-	(639,199)
Judicial	65,299	-	-	-	(65,299)	-	(65,299)
Legislative	100,654	-	-	-	(100,654)	-	(100,654)
Library	113,044	-	-	-	(113,044)	-	(113,044)
Mayor	40,502	-	-	-	(40,502)	-	(40,502)
Other	1,884	-	-	-	(1,884)	-	(1,884)
Park	222,766	5,045	-	-	(217,721)	-	(217,721)
Police	875,872	-	31,773	-	(844,099)	-	(844,099)
Prisoner	32,570	-	-	-	(32,570)	-	(32,570)
Sanitation	266,041	354,152	-	-	88,111	-	88,111
Street	833,215	-	-	-	(833,215)	-	(833,215)
Total governmental activities	4,977,500	427,968	31,773	19,000	(4,498,759)	-	(4,498,759)
Business-type activities							
Personnel	188,808	-	-	-	-	(188,808)	(188,808)
Supplies	4,129	-	-	-	-	(4,129)	(4,129)
Other	93,173	-	-	-	-	(93,173)	(93,173)
Depreciation	532,763	-	-	-	-	(532,763)	(532,763)
Repairs and maintenance	10,248	-	-	-	-	(10,248)	(10,248)
Interest on long-term debt	456,634	-	-	-	-	(456,634)	(456,634)
Gas	3,990,655	4,342,120	-	-	-	351,465	351,465
Water and sewer	1,208,211	1,645,482	-	-	-	437,271	437,271
Professional services	9,763	-	-	-	-	(9,763)	(9,763)
Total business-type activities	6,494,384	5,987,602	-	-	-	(506,782)	(506,782)
			General revenues				
			Taxes		796,183	-	796,183
			Grants		97,807	747,795	845,602
			Intergovernmental		2,389,486	-	2,389,486
			Rents		892,658	427,212	1,319,870
			Fines		71,287	-	71,287
			Interest		92,973	185,762	278,735
			Miscellaneous		30,443	-	30,443
			Transfers other funds		100,000	(100,000)	-
			Sale of assets		5,243	-	5,243
			Total general revenues		4,476,080	1,260,769	5,736,849
			Change in net assets		(22,679)	753,987	731,308
			Net assets-				
			beginning of year unadjusted		7,026,346	8,004,890	15,031,236
			Net assets-end of year		\$ 7,003,667	\$ 8,758,877	\$ 15,762,544

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

CITY OF SENATOBIA, MISSISSIPPI
 Balance Sheet
 Governmental Funds
 September 30, 2007

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash in bank and on hand	\$ 1,662,239	\$ -	\$ 1,662,239
Property taxes receivable	732,916	-	732,916
Due from other funds	22,773	-	22,773
Accounts receivable	29,772	-	29,772
Intergovernmental receivables	175,817	-	175,817
Franchise tax receivable	51,514	-	51,514
Interest receivable	35,712	-	35,712
Prepaid expenses	25,197	-	25,197
Other assets	435	-	435
Restricted cash	-	683,335	683,335
	<u>-</u>	<u>683,335</u>	<u>683,335</u>
Total assets	<u>\$ 2,736,375</u>	<u>\$ 683,335</u>	<u>\$ 3,419,710</u>
Liabilities			
Accounts payable	\$ 164,255	\$ 14,444	\$ 178,699
Accrued expenses	11,318	-	11,318
Deferred revenue	732,916	-	732,916
	<u>908,489</u>	<u>14,444</u>	<u>922,933</u>
Total liabilities	<u>908,489</u>	<u>14,444</u>	<u>922,933</u>
Fund balances			
Reserved for:			
Capital projects	-	535,688	535,688
Debt service	-	-	-
Special revenue	-	133,203	133,203
Unreserved	<u>1,827,886</u>	<u>-</u>	<u>1,827,886</u>
Total fund balances	<u>1,827,886</u>	<u>668,891</u>	<u>2,496,777</u>
Total liabilities and fund balances	<u>\$ 2,736,375</u>	<u>\$ 683,335</u>	<u>\$ 3,419,710</u>

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

CITY OF SENATOBIA, MISSISSIPPI
 Reconciliation of the Governmental Funds Balance Sheet
 September 30, 2007

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 2,496,777

Amounts reported for governmental activities in the statement
 of net assets are different because:

Capital assets used in governmental activities are not financial resources
 and therefore are not reported in the funds. These assets consist of:

Land	1,368,055	
Buildings and improvements	9,263,632	
Equipment	662,451	
Vehicles	1,999,768	
Infrastructure	1,599,455	
Construction in progress	554,373	
Accumulated depreciation	<u>(6,436,794)</u>	
		9,010,940

Some liabilities are not due and payable in the current period and therefore
 are not reported in the funds. Those liabilities consist of:

Notes payable	(761,645)	
Compensated absences payable	(77,676)	
Accrued interest	(74,639)	
General obligation and revenue bonds	<u>(3,590,090)</u>	
		<u>(4,504,050)</u>

Net Assets of Governmental Activities \$ 7,003,667

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes
in Fund Balances of Government Funds
For the Year Ended September 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 796,183	\$ -	\$ 796,183
Licenses and permits	39,771	-	39,771
Intergovernmental	2,389,486	-	2,389,486
Charges for services	359,197	-	359,197
Fines	71,287	-	71,287
Interest	63,828	29,145	92,973
Miscellaneous	28,237	-	28,237
Sale of cemetery lots	29,000	-	29,000
Total revenues	<u>3,776,989</u>	<u>29,145</u>	<u>3,806,134</u>
Expenditures			
Administrative	587,933	-	587,933
Animal shelter	2,935	-	2,935
Attorney	33,997	-	33,997
Cemetery	16,200	-	16,200
Fire	706,062	-	706,062
Industrial Park	55,240	-	55,240
Inspector	61,449	-	61,449
Judicial	65,299	-	65,299
Legislative	100,654	-	100,654
Library	113,044	-	113,044
Mayor	40,502	-	40,502
Other	1,884	-	1,884
Park	229,978	-	229,978
Police	859,204	-	859,204
Prisoner	32,570	-	32,570
Sanitation	240,843	-	240,843
Street	1,083,730	-	1,083,730
Debt service			
Principal	221,871	618,452	840,323
Interest	111,803	48,120	159,923
Total expenditures	<u>4,565,198</u>	<u>666,572</u>	<u>5,231,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(788,209)</u>	<u>(637,427)</u>	<u>(1,425,636)</u>
Other financing sources (uses)			
Grant revenue	135,580	-	135,580
Rents	285,152	607,506	892,658
Sale of assets	5,243	-	5,243
Interfund transfers	423,353	(323,353)	100,000
Total other financing sources (uses)	<u>849,328</u>	<u>284,153</u>	<u>1,133,481</u>
Net change in fund balances	61,119	(353,274)	(292,155)
Fund balance - beginning of year	<u>1,766,767</u>	<u>1,022,165</u>	<u>2,788,932</u>
Fund balance - end of year	<u>\$ 1,827,886</u>	<u>\$ 668,891</u>	<u>\$ 2,496,777</u>

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

CITY OF SENATOBIA, MISSISSIPPI
 Reconciliation of Revenues, Expenditures, and Changes in
 Fund Balances of Government Funds to the Statement of Activities
 For the Year Ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (292,155)**

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$551,778) exceeded capital outlays (\$459,163) in the current period. (92,615)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$0) exceeded repayments (\$349,987). 349,987

Some 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 governmental funds. Those amounts by which the (increase) decrease consists of:

Interest payable	(12,235)	
Compensated absences payable	1,044	
Prepaid debt	<u>23,295</u>	
		<u>12,104</u>

Change in Net Assets of Governmental Activities **\$ (22,679)**

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Assets
Proprietary Funds
September 30, 2007

	<u>Utility</u>	<u>Hospital</u>	<u>Totals</u>
Assets			
Current assets			
Cash in bank and on hand	\$ 2,219,606	\$ -	\$ 2,219,606
Accounts receivable (net of allowance for doubtful accounts)	323,451	-	323,451
Inventory	928,209	-	928,209
Interest receivable	15,820	-	15,820
Total current assets	<u>3,487,086</u>	<u>-</u>	<u>3,487,086</u>
Restricted assets:			
Cash	108,039	366,506	474,545
Customer deposits	211,279	-	211,279
Total restricted assets	<u>319,318</u>	<u>366,506</u>	<u>685,824</u>
Other assets			
Bond issue cost (net)	139,913	13,853	153,766
Total other assets	<u>139,913</u>	<u>13,853</u>	<u>153,766</u>
Fixed assets			
Land	46,000	170,000	216,000
Buildings	84,923	3,759,617	3,844,540
Improvements	-	151,558	151,558
Gas distribution system	10,580,224	-	10,580,224
Sewer treatment plant	5,963,990	-	5,963,990
Machinery and equipment	621,506	610,000	1,231,506
Vehicles	344,887	-	344,887
Easements	18,291	-	18,291
Construction in progress	-	-	-
Accumulated depreciation	(5,088,847)	(3,468,896)	(8,557,743)
Total fixed assets	<u>12,570,974</u>	<u>1,222,279</u>	<u>13,793,253</u>
Total assets	<u>\$ 16,517,291</u>	<u>\$ 1,602,638</u>	<u>\$ 18,119,929</u>

continued

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Assets
Proprietary Funds
Year Ended September 30, 2007

	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
Liabilities and fund equity			
Current liabilities			
Accounts payable	\$ 104,769	\$ -	\$ 104,769
Due to other funds	22,773	-	22,773
Accrued expenses	85,980	-	85,980
Total current liabilities	<u>213,522</u>	<u>-</u>	<u>213,522</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	415,000	193,884	608,884
Customer deposits	211,279	-	211,279
Total current liabilities payable from restricted assets	<u>626,279</u>	<u>193,884</u>	<u>820,163</u>
Long-term liabilities			
Revenue bonds payable	6,750,000	1,455,189	8,205,189
Compensated absences payable	36,815	-	36,815
Escrow deposit	-	85,363	85,363
Total long-term liabilities	<u>6,786,815</u>	<u>1,540,552</u>	<u>8,327,367</u>
Total liabilities	<u>7,626,616</u>	<u>1,734,436</u>	<u>9,361,052</u>
Fund equity			
Invested in capital assets, net of related debt	5,405,974	(426,794)	4,979,180
Unrestricted	3,484,701	294,996	3,779,697
Total fund equity	<u>8,890,675</u>	<u>(131,798)</u>	<u>8,758,877</u>
Total liabilities and fund equity	<u>\$ 16,517,291</u>	<u>\$ 1,602,638</u>	<u>\$ 18,119,929</u> concluded

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended September 30, 2007

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
Operating revenues			
Gas sales	\$ 4,342,120	\$ -	\$ 4,342,120
Water and sewer sales	1,645,482	-	1,645,482
Rents	-	427,212	427,212
	<u>5,987,602</u>	<u>427,212</u>	<u>6,414,814</u>
Total operating revenues			
Operating expenses			
Personnel	188,808	-	188,808
Supplies	4,129	-	4,129
Other	93,173	-	93,173
Depreciation and amortization	422,360	110,403	532,763
Repairs and maintenance	10,248	-	10,248
Gas	3,990,655	-	3,990,655
Water and sewer	1,208,211	-	1,208,211
Professional services	9,763	-	9,763
	<u>5,927,347</u>	<u>110,403</u>	<u>6,037,750</u>
Total operating expenses			
Operating income	<u>60,255</u>	<u>316,809</u>	<u>377,064</u>
Non-operating revenues (expenses)			
Grants	747,795	-	747,795
Interest revenue	183,993	1,769	185,762
Interfund transfer	(100,000)	-	(100,000)
Interest expense	(383,099)	(73,535)	(456,634)
	<u>448,689</u>	<u>(71,766)</u>	<u>376,923</u>
Total non-operating revenues (expenses)			
Net income	508,944	245,043	753,987
Net assets - beginning of year	<u>8,381,731</u>	<u>(376,841)</u>	<u>8,004,890</u>
Net assets - end of year	<u>\$ 8,890,675</u>	<u>\$ (131,798)</u>	<u>\$ 8,758,877</u>

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2007

	Utility Fund	Hospital Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 6,040,736	\$ 427,212	\$ 6,467,948
Cash payments for goods and services	(5,367,870)	-	(5,367,870)
Cash payments to employees	(135,450)	-	(135,450)
Net cash provided by operating activities	<u>537,416</u>	<u>427,212</u>	<u>964,628</u>
Cash flows from noncapital financing activities			
Transfers from other funds	(80,712)	-	(80,712)
Net cash provided by noncapital financing activities	<u>(80,712)</u>	<u>-</u>	<u>(80,712)</u>
Cash flows from capital and related financing activities			
Payments for capital acquisitions	(3,322,143)	-	(3,322,143)
Customer deposits	17,247	-	17,247
Grant proceeds	747,795	-	747,795
Debt proceeds	-	-	-
Principal payments on debt	(420,000)	(353,677)	(773,677)
Interest payments on debt	(383,099)	(73,535)	(456,634)
Net cash provided by(used in) capital and related financing activities	<u>(3,360,200)</u>	<u>(427,212)</u>	<u>(3,787,412)</u>
Cash flows from investing activities			
Receipts of interest	185,684	1,769	187,453
Net cash flows from investing activities	<u>185,684</u>	<u>1,769</u>	<u>187,453</u>
Net increase in cash and cash equivalents	(2,717,812)	1,769	(2,716,043)
Cash and cash equivalents-beginning of year	<u>5,256,736</u>	<u>364,737</u>	<u>5,621,473</u>
Cash and cash equivalents-end of year(including restricted cash)	<u>\$ 2,538,924</u>	<u>\$ 366,506</u>	<u>\$ 2,905,430</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	<u>\$ 60,255</u>	<u>\$ 316,809</u>	<u>\$ 377,064</u>
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	422,360	110,403	532,763
(Increase) decrease in customer receivables	53,134	-	53,134
(Increase) decrease in inventory	(58,890)	-	(58,890)
(Increase) decrease in prepaid expense	6,873	-	6,873
Increase (decrease) in accounts payable	7,199	-	7,199
Increase (decrease) in accrued expenses	46,485	-	46,485
Total adjustments	<u>477,161</u>	<u>110,403</u>	<u>587,564</u>
Net cash provided by operating activities	<u>\$ 537,416</u>	<u>\$ 427,212</u>	<u>\$ 964,628</u>

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

(I) Summary of Significant Accounting Policies

A. General Statement:

The City of Senatobia was incorporated in 1949. The City operates under the Board of Aldermen-Mayor form of government and provides the following services; public safety (police and fire), streets, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Senatobia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's most significant accounting polices are described below.

B. Reporting Entity:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Senatobia has no component units

C. Encumbrance Accounting:

The City of Senatobia does not use the encumbrance method of accounting

D. Fund Accounting:

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government, which are not required legally, or by sound financial management, to be accounted for in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

E. *Basis of Accounting:*

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the City and for each program of the governmental activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition:

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for service, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end. Proprietary fund types have selected to consistently follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20 that conflict with GASB pronouncements.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

F. Budgets and Budgetary Accounting:

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

- 1. Prior to the August board meeting, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.*
- 2. A public hearing is conducted at City Hall.*
- 3. At the September board meeting, the budget is legally enacted through passage of ordinance.*
- 4. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.*
- 5. The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.*
- 6. Budgetary comparison schedules are presented as Required Supplemental Information.*

G. Capital Assets and Depreciation:

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the governments-wide statement of net assets. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the individual proprietary funds.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years, improvements/infrastructure, 5 to 50 years, equipment, 2 to 15 years.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

H. Compensated Absences:

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

I. Net Assets:

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

J. Inventory:

Inventory is stated at cost. Inventory in the Utility Fund consists of expendable supplies held for consumption and gas held for consumption.

(2) Cash and Investments

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

For the purpose of the Statement of Net Assets, "cash in bank and on hand" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

(3) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and payable on or before February 1. Tate County bills and collects the City's property taxes and monthly remits the taxes to the City.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(4) Fixed Assets

A summary of changes in general fixed assets follows:

	Balance at 9/30/2006	Additions	Deletions	Adjustment	Balance at 9/30/2007
<i>Governmental Activities:</i>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 1,368,055	\$ -	\$ -	\$ -	\$ 1,368,055
Construction in progress	296,546	356,479	98,652	-	554,373
Total capital assets, not being depreciated:	<u>1,664,601</u>	<u>356,479</u>	<u>98,652</u>	<u>-</u>	<u>1,922,428</u>
<i>Capital assets, being depreciated:</i>					
Buildings and improvements	9,164,980	98,652	-	-	9,263,632
Equipment	572,230	91,477	-	(1,256)	662,451
Vehicles	2,057,283	9,000	66,515	-	1,999,768
Infrastructure	1,599,635	-	-	(180)	1,599,455
Total capital assets, being depreciated:	<u>13,394,128</u>	<u>199,129</u>	<u>66,515</u>	<u>(1,436)</u>	<u>13,525,306</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(3,895,178)	(229,643)	-	-	(4,124,821)
Equipment	(375,342)	(99,291)	-	(4,009)	(478,642)
Vehicles	(1,530,607)	(142,871)	(66,515)	7,652	(1,599,311)
Infrastructure	(154,047)	(79,973)	-	-	(234,020)
Total accumulated depreciation	<u>(5,955,174)</u>	<u>(551,778)</u>	<u>(66,515)</u>	<u>3,643</u>	<u>(6,436,794)</u>
Total capital assets, being depreciated, net	<u>7,438,954</u>	<u>(352,649)</u>	<u>-</u>	<u>2,207</u>	<u>7,088,512</u>
Governmental activities capital assets, net	<u>\$ 9,103,555</u>	<u>\$ 3,830</u>	<u>\$ 98,652</u>	<u>\$ 2,207</u>	<u>\$ 9,010,940</u>
<i>Business-type activities:</i>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 216,000	\$ -	\$ -	\$ -	\$ 216,000
Easements	18,291	156,078	-	-	174,369
Construction in progress	1,029,334	3,262,889	4,292,223	-	-
Total capital assets, not being depreciated:	<u>1,263,625</u>	<u>3,418,967</u>	<u>4,292,223</u>	<u>-</u>	<u>390,369</u>
<i>Capital assets, being depreciated:</i>					
Buildings	3,844,540	-	-	-	3,844,540
Improvements	151,558	-	-	-	151,558
Gas and sewer system	12,251,991	4,136,145	-	-	16,388,136
Equipment	1,213,217	18,289	-	-	1,231,506
Vehicles	326,320	40,965	22,397	-	344,888
Total capital assets, being depreciated:	<u>17,787,626</u>	<u>4,195,399</u>	<u>22,397</u>	<u>-</u>	<u>21,960,628</u>
<i>Less accumulated depreciation for:</i>					
Buildings	(2,645,907)	(109,115)	-	-	(2,755,022)
Improvements	(134,471)	(1,670)	-	-	(136,141)
Gas and sewer system	(3,917,967)	(342,981)	-	-	(4,260,948)
Equipment	(1,068,077)	(47,392)	-	-	(1,115,469)
Vehicles	(286,158)	(26,403)	(22,397)	-	(290,164)
Total accumulated depreciation	<u>(8,052,580)</u>	<u>(527,561)</u>	<u>(22,397)</u>	<u>-</u>	<u>(8,557,744)</u>
Total capital assets, being depreciated, net	<u>9,735,046</u>	<u>3,667,838</u>	<u>-</u>	<u>-</u>	<u>13,402,884</u>
Business-type activities capital assets, net	<u>\$ 10,998,671</u>	<u>\$ 7,086,805</u>	<u>\$ 4,292,223</u>	<u>\$ -</u>	<u>\$ 13,793,253</u>

No interest was capitalized during the year due to immateriality. There were no construction commitments.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(4) Fixed Assets - continued

A summary of depreciation expense is as follows:

<u>Function</u>	<u>Depreciation Expense</u>
Administrative	\$ 235,946
Fire	136,440
Park	16,880
Police	26,550
Sanitation	25,198
Street	110,764
Total depreciation expense	<u>\$ 551,778</u>

Commitment under construction contracts at September 30, 2007 are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
Industrial Park Improvements	\$ 767,723	\$ 231,737	2003 Construction
Miracle/ Woolfolk Road	247,158	27,030	General

(5) Long-Term Debt

General obligation bonds. General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds currently outstanding are as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
1991 Public Improvement	8.75%	2011	\$ 505,000	\$ 160,000
2000 MIBA	1.30%	2011	900,000	420,000
2004 Road and Bridge	Various	2018	2,500,000	1,990,000
Total			<u>\$ 3,905,000</u>	<u>\$ 2,570,000</u>

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(5) Long-Term Debt - continued

Revenue Bonds. The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
1979 Hospital Sales Tax	5.00%	2014	\$ 750,000	\$ 287,244
1979 Hospital	5.00%	2014	3,750,000	1,361,828
2000 Water, Sewer, Gas	Various	2019	5,000,000	3,665,000
2000 Urban Renewal	5.50%	2035	900,000	840,239
2004 Garbage Disposal System	5.00%	2017	241,771	179,850
2006 Water, Sewer, Gas	5.00%	2021	3,700,000	3,500,000
Total			<u>\$ 14,341,771</u>	<u>\$ 9,834,161</u>

Loans. The City also uses loans to finance its projects.

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding</u>
Industrial Building Cap Loan	4.00%	2013	\$ 203,051
BMW Cap Loan	4.65%	2015	558,594
Total			<u>\$ 761,645</u>

Annual requirements to retire debt obligations.

The aggregate maturities of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2007 is as follows:

Year(s) Ending	Governmental Fund		Year(s) Ending	Enterprise Fund	
	Principal	Interest		Principal	Interest
September 30			September 30		
2008	\$ 370,807	\$ 162,396	2008	\$ 617,352	\$ 426,372
2009	386,911	148,894	2009	647,470	392,270
2010	398,301	134,799	2010	678,093	357,019
2011	419,992	120,266	2011	709,247	323,114
2012	386,997	104,792	2012	745,960	287,652
2013-2017	1,488,986	359,047	2013-2017	3,415,950	898,623
2018-2022	347,540	180,108	2018-2022	2,000,000	185,706
Thereafter	552,200	244,624	Total	<u>\$ 8,814,072</u>	<u>\$ 2,870,756</u>
Total	<u>\$ 4,351,734</u>	<u>\$ 1,454,926</u>			

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(5) Long-Term Debt - continued

	<u>Balance at</u> 9/30/2006	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 9/30/2007	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>Governmental activities:</i>					
General obligation bonds payable	\$ 2,795,000	\$ -	\$ 225,000	\$ 2,570,000	\$ 240,000
Revenue bonds payable	1,045,895	-	25,805	1,020,090	27,156
Compensated absences payable	78,720	-	1,044	77,676	-
Notes payable	860,827	-	99,182	761,645	103,651
Governmental activities long-term liabilities	\$ 4,780,442	\$ -	\$ 351,031	\$ 4,429,411	\$ 370,807
<i>Business-type activities:</i>					
Revenue bonds payable	\$ 9,587,749	\$ -	\$ 773,677	8,814,072	\$ 608,884
Compensated absences payable	25,484	902	-	26,386	-
Business-type activities long-term liabilities	\$ 9,613,233	\$ 902	\$ 773,677	\$ 8,840,458	\$ 608,884

(6) Defined Benefit Pension Plan

Plan Description. The City of Senatobia contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City of Senatobia is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Senatobia's contributions to PERS for the year ending September 30, 2007, were \$246,380 equal to the required contributions for that year.

(7) Receivables

Utility Receivables consist of the following:

Utility sales Receivable	\$ 497,473
Allowance for Uncollectibles	(170,496)
Net Receivables	<u>\$ 326,977</u>

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(7) Receivables - continued

Intergovernmental Receivables consist of the following:

	<u>General Fund</u>
Sales Tax	<u>\$ 175,817</u>

(8) Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by purchase of commercial insurance.

(9) Interfund Transfers and Balances

The following is a summary of interfund transactions and balances:

A. Due to/from other funds	<u>Due to</u>	<u>Due from</u>
Major funds:		
General fund	\$ 22,773	\$ -
Utility fund	-	22,773
Total funds	<u>\$ 22,773</u>	<u>\$ 22,773</u>

These are for payment of monthly claims. All interfund balances are expected to be repaid within a year.

B. Transfers In/Out	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 488,516	\$ 90,810
Garbage Disposal Revenue Bond	25,647	-
UR Police Department	65,163	-
2003 Construction	-	388,516
Utility fund	-	100,000
Total funds	<u>\$ 579,326</u>	<u>\$ 579,326</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service and for payment in lieu of taxes in the Utility Fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(10) Contingencies

As of September 30, 2007, the City of Senatobia had one pending litigation against it. The lawsuit alleges that the City has illegally and unlawfully deprived the plaintiffs of the highest and best use of their property due to zoning ordinance. The possible loss in such case that the City is unsuccessful in its defense will range from \$0 to \$1,102,500 plus interest, which is the amount of monetary damages sought by the plaintiffs. The lawsuit is filed in the Circuit Court of Tate County, MS, and is styled, "Presley v. City of Senatobia", Cause No. CV2005-273BT. The City won in the trial court by having the matter dismissed by the Judge, however, the Plaintiff has chosen to appeal and the parties are in the process of filing briefs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SENATOBIA, MISSISSIPPI
 Budgetary Comparison Schedule
 September 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 834,992	\$ 854,292	\$ 744,667	\$ (109,625)
Licenses and permits	28,720	39,720	39,771	51
Intergovernmental	2,411,466	2,471,746	2,213,669	(258,077)
Charges for services	339,100	388,350	311,101	(77,249)
Fines	102,000	72,000	71,287	(713)
Interest	45,000	89,600	28,115	(61,485)
Miscellaneous	28,000	29,500	28,237	(1,263)
Sale of cemetery lots	31,000	31,000	29,000	(2,000)
Total revenues	3,820,278	3,976,208	3,465,847	(510,361)
Expenditures				
Administrative	506,153	602,250	571,688	30,562
Animal shelter	5,320	4,420	2,935	1,485
Attorney	35,306	35,306	33,997	1,309
Cemetery	24,000	17,000	16,200	800
Fire	692,786	720,231	694,062	26,169
Industrial Park	6,000	55,240	55,240	-
Inspector	55,198	61,748	58,449	3,299
Judicial	91,346	67,446	65,299	2,147
Legislative	101,531	101,531	100,654	877
Library	113,892	113,919	113,044	875
Mayor	41,843	41,843	40,502	1,341
Other	1,800	1,800	1,800	-
Park	215,217	255,840	218,978	36,862
Police	922,226	905,746	859,522	46,224
Prisoner	28,800	32,570	32,570	-
Sanitation	208,716	241,991	240,843	1,148
Street	853,354	1,102,838	1,050,730	52,108
Debt service				
Principal	222,471	221,871	221,871	-
Interest	111,803	111,803	111,803	-
Total expenditures	4,237,762	4,695,393	4,490,187	205,206
Excess (deficiency) of revenues over (under) expenditures	(417,484)	(719,185)	(1,024,340)	(305,155)
Other financing sources (uses)				
Grant revenue	37,000	66,660	135,580	68,920
Rents	272,000	285,000	285,152	152
Sale of assets	5,000	5,000	5,243	243
Interfund transfers	509,100	409,100	423,353	14,253
Total other financing sources(uses)	823,100	765,760	849,328	83,568
Net changes in fund balances	\$ 405,616	\$ 46,575	(175,012)	\$ (221,587)
Fund balance - beginning of year			1,766,767	
Fund balance - end of year			1,591,755	
Adjustments to conform with GAAP:				
Revenues			347,571	
Expenditures			(111,440)	
Fund balance - end of year(GAAP basis)			\$ 1,827,886	

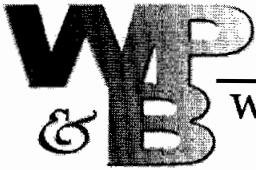
The accompanying notes to the financial statement are an integral part of this statement.

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Offers
September 30, 2007

Fidelity bonds in force at September 30, 2007 were as follows:

<u>Position</u>	<u>Amount of Bond</u>
City Clerk	\$ 50,000
City Clerk – FHA	350,000
City Clerk – Urban Renewal	61,000
Mayor	50,000
All Personnel – Blanket	50,000
Aldermen	100,000 each

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



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**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***

Mayor and Board of Aldermen
City of Senatobia
Senatobia, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, Mississippi as of and for the year ended, September 30, 2007, which collectively comprise the City of Senatobia, Mississippi's basic financial statements and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Senatobia, 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 Senatobia, Mississippi's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the City of Senatobia, Mississippi's internal control over financial reporting.

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

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

Our consideration of 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 internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Senatobia, 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*.

Continued...

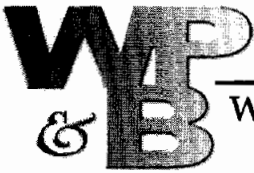
This report is intended solely for the information and use of management, the Board of Aldermen, the Mississippi State Department of Audit and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Williams, Pitts & Beard, PLLC

Williams, Pitts and Beard, PLLC

Certified Public Accountants

November 13, 2007



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**INDEPENDENT AUDITORS' REPORT ON THE CITY'S COMPLIANCE WITH THE
REQUIREMENTS OF THE STATE AUDIT DEPARTMENT, AS SET FORTH
IN THE MUNICIPAL COMPLIANCE QUESTIONNAIRE**

Honorable Mayor and Board of Aldermen
City of Senatobia, Mississippi

We have audited the financial statements of the City of Senatobia as of and for the year ended September 30, 2007, and have issued our report thereon dated November 13, 2007.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with laws, regulations, contracts, and grants applicable to the City of Senatobia, is the responsibility of City of Senatobia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contract, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City of Senatobia complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Senatobia had not complied, in all material respects, with those provisions.

This report is intended for the information of management, the Mississippi State Department of Audit, and the United States Bureau of Census. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Williams, Pitts & Beard, PLLC
Williams, Pitts & Beard, PLLC
Certified Public Accountants
November 13, 2007