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CITY OF GREENVILLE, MISSISSIPPI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**CITY OF GREENVILLE, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2008
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, and
Members of the City Council
City of Greenville, 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 Greenville, Mississippi (the City), as of and for the year ended September 30, 2008, 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 Greenville, Mississippi's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The City failed to amortize its loan issue costs and interfund receivables/payables and transfer in/out did not agree for the year under audit. We were therefore unable to form an opinion as to completeness regarding revenues and expenditures in the accompanying statement of activities.

In our opinion, except for the effects of incompleteness of revenues and expenses in the accompanying statement of activities, if any, the financial statements referred to above, present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Mississippi as of September 30, 2008, and the respective changes in financial position 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 September 30, 2009 on our consideration of the City's internal control over financial reporting and 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 financial 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 City has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on page 38 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of 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's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profits Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC
Jackson, Mississippi
September 30, 2009

FINANCIAL STATEMENTS

City of Greenville, Mississippi
Government-wide Statement of Net Assets
For the year ended September 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,772,059	\$ -	\$ 4,772,059
Accounts receivable, net of allowances	987,322	280,181	1,267,503
Taxes receivable	565,739	-	565,739
Fines receivable, net of allowances	1,331,326		1,331,326
Internal service fund receivable, balances	(962,609)	962,609	-
Prepaid expenses	40,291	-	40,291
Inventories	63,389	-	63,389
Restricted cash	143,153	-	143,153
Total current assets	<u>6,940,670</u>	<u>1,242,790</u>	<u>8,183,460</u>
Capital assets			
Land	85,208,765	2,512,541	87,721,306
Buildings and improvements	30,996,776	34,760,000	65,756,776
Improvements other than buildings	46,464	12,600	59,064
Machinery and equipment	7,424,209	10,120,539	17,544,748
Furniture and equipment	676,338	39,447	715,785
Vehicles	33,375	-	33,375
Infrastructure	241,001,098	345,289,488	586,290,586
Construction in progress	6,744,883		6,744,883
Total capital assets(note 3d)	<u>372,131,908</u>	<u>392,734,615</u>	<u>764,866,523</u>
Less accumulated depreciation	<u>(186,086,501)</u>	<u>(328,320,933)</u>	<u>(514,407,434)</u>
Capital assets, net	<u>186,045,407</u>	<u>64,413,682</u>	<u>250,459,089</u>
Other assets			
Loan origination fees/bond issuance cost (net of amortization)	123,320	362,540	485,860
Total assets	<u>193,109,397</u>	<u>66,019,012</u>	<u>259,128,409</u>
Liabilities			
Current liabilities			
Accounts/claims payable	739,038	1,045,303	1,784,341
Wages payable	29,268	371,725	400,993
Customers deposits	72,067	327,401	399,468
Internal service fund payable, balances	(670,416)	670,416	-
Accrued interest payable	121,297	-	121,297
Accrued compensated absences, current portion	328,508	-	328,508
Long-term liabilities, current portion (notes e & h)	1,434,286	788,971	2,223,257
Total current liabilities	<u>2,054,048</u>	<u>3,203,816</u>	<u>5,257,864</u>
Noncurrent liabilities (note 3H)			
Accrued compensated absences, net of current portion	492,762	-	492,762
Long-term liabilities, net of current portion (notes e & h)	6,121,283	7,196,744	13,318,027
Total noncurrent liabilities	<u>6,614,045</u>	<u>7,196,744</u>	<u>13,810,789</u>
Total liabilities	<u>8,668,093</u>	<u>10,400,560</u>	<u>19,068,653</u>
Net Assets			
Invested in capital assets, net of related debt	178,489,838	56,427,967	234,917,805
Prepaid expenses	-		-
Restricted	103,680		103,680
Unrestricted	5,847,786	(809,516)	5,038,270
Total net assets	<u>184,441,304</u>	<u>55,618,451</u>	<u>240,059,755</u>
Total liabilities and net assets	<u>\$ 193,109,397</u>	<u>\$ 66,019,012</u>	<u>\$ 259,128,409</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Reconciliation of Total Fund Balances to Total Net Assets
For the year ended September 30, 2008

Balance Sheet - Governmental Funds - Total fund balances		\$ 9,099,659
Internal Service Fund-eliminations		(2,205,624)
<p>Amounts reported for governmental activities of the statement of net assets are different because:</p>		
<p>Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them. Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.</p>		
Capital assets, net of accumulated depreciation	186,045,407	
<p>Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.</p>		
Long-term debt	(7,555,569)	
Compensated absences	(821,270)	
Interest	(121,297)	
Subtotal		177,547,271
Government-wide Statement of Net Assets--Total net assets		<u>\$ 184,441,304</u>

City of Greenville, Mississippi
Reconciliation of Changes in Net Assets
For the year ended September 30, 2008

Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	\$ 2,709,138
Internal Service fund eliminations	(2,205,624)
Fixed assets addition	6,607,205
Depreciation expense	(3,350,843)
<p>Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets</p>	
Debt issued	(3,224,587)
Principle payments	1,539,753
Additions to compensated absences	(775,010)
Interest	51,926
Government-wide Statement of Activities--Changes in net assets - Governmental Activities	<u><u>\$ 1,351,958</u></u>

City of Greenville, Mississippi
Reconciliation Matrix (modified accrual to full accrual balances)
For the year ended September 30, 2008

Balance Sheet- Governmental & Internal Service Funds	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Annual (Revenue) Expense</u>
	\$ 10,463,803	\$ (1,364,146)	\$ (6,390,521)	\$ (2,709,138)
Capital asset, beginning of year	366,493,704		(366,493,704)	
Capital asset, additions	5,638,204			(5,638,204)
Accumulated depreciation, beginning balances	(184,707,465)		184,707,465	
Prior year adjustment	1,971,807		(1,002,804)	(969,001)
Depreciation expense	(3,350,843)			3,350,843
Eliminate interfund receivable/payable (due to/from)	-			-
Eliminate interfund (transfer in/out)	(3,399,813)	1,194,189		2,205,624
Long term debt, beginning of year	-	(5,870,735)	5,870,735	-
Debt issued		(3,224,587)	-	3,224,587
Principal repayment		1,539,753	-	(1,539,753)
Accrued interest, beginning bal		(173,223)	173,223	-
Accrued interest	-	51,926	-	(51,926)
Addition to compensated absence	-	(775,010)	-	775,010
Compensated absences, beginning bal	-	(46,260)	46,260	-
Add Internal service fund to govmt funds	-	-	-	-
Subtotals	<u>193,109,397</u>	<u>(8,668,093)</u>	<u>(183,089,346)</u>	<u>(1,351,958)</u>
Close income/expense to equity			(1,351,958)	1,351,958
Government-wide Statement of Net Assets	<u>\$ 193,109,397</u>	<u>\$ (8,668,093)</u>	<u>\$ (184,441,304)</u>	<u>\$ -</u>

City of Greenville, Mississippi
Balance Sheet-Governmental Funds
For the year ended September 30, 2008

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Pooled cash and investments	\$ 1,803,431	\$ 2,968,628	\$ 4,772,059
Accounts receivables	160,534	826,788	987,322
Taxes receivable	565,739	-	565,739
Fines receivable, net	1,331,326		1,331,326
Prepaid expenses	40,291	123,320	163,611
Inventory	54,875	8,514	63,389
Due from other funds	1,555,529	881,675	2,437,204
Restricted assets-cash	-	143,153	143,153
Total assets	<u>5,511,725</u>	<u>4,952,079</u>	<u>10,463,803</u>
Liabilities			
Accounts payable and accrued expenses	255,503	483,535	739,038
Wages payable	29,268	-	29,268
Customer deposits	21,389	50,678	72,067
Due to other funds	256,285	267,488	523,773
Total liabilities	<u>562,445</u>	<u>801,701</u>	<u>1,364,146</u>
Fund balances			
Reserved for encumbrances	-	103,829	103,829
Reserved for prepaids & inventory	95,166	131,834	227,000
Unreserved	4,854,114	3,914,716	8,768,830
Total fund balances	<u>4,949,280</u>	<u>4,150,379</u>	<u>9,099,659</u>
Total liabilities and fund balances	<u>\$ 5,511,725</u>	<u>\$ 4,952,079</u>	<u>\$ 10,463,803</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the year ended September 30, 2008

Revenues	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Property taxes	\$ 5,277,602	\$ 1,012,037	\$ 6,289,639
Personal taxes	1,975,115	410,954	2,386,069
Auto taxes	1,325,949	264,861	1,590,810
Franchise taxes	1,856,288	-	1,856,288
Sales taxes	6,477,147	-	6,477,147
Gaming taxes	1,834,890	-	1,834,890
Sales to customers	1,800,169		1,800,169
Gas, fuel and road taxes	19,758	1,706	21,464
Fines, fees, licenses, and permits	577,639	241,922	819,561
Intergovernmental	240,857	4,072,691	4,313,548
Investment income	77,663	146,855	224,518
Leases	282,776	692,336	975,112
Contributions	2,811	7,908	10,719
Miscellaneous	141,557	258,197	399,754
Total revenues	<u>21,890,221</u>	<u>7,109,467</u>	<u>28,999,688</u>
Expenditures			
General government	4,126,890	484,782	4,611,672
Public safety	11,200,986	284,709	11,485,695
Public works	3,217,079	-	3,217,079
Culture and recreational	248,053	605,000	853,053
Airport	-	932,049	932,049
Health and human services	294,000	-	294,000
Capital outlay	170,336	4,808,433	4,978,769
Debt service:			
Principal	613,651	1,066,950	1,680,601
Interest and paying agent fee	-	353,412	353,412
Total expenditures	<u>19,870,995</u>	<u>8,535,335</u>	<u>28,406,330</u>
Excess of revenues over (under) expenditures	<u>2,019,226</u>	<u>(1,425,868)</u>	<u>593,358</u>
Other financing sources (uses)			
Proceeds from loan	-	2,000,000	2,000,000
Transfer in	1,608,647	1,402,893	3,011,540
Transfer out	(2,791,916)	(189,000)	(2,980,916)
Sale of capital assets	49,573	35,583	85,156
Total other financing sources (uses)	<u>(1,133,696)</u>	<u>3,249,476</u>	<u>2,115,780</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>885,530</u>	<u>1,823,608</u>	<u>2,709,138</u>
Fund balances, beginning of year	2,556,913	2,326,771	4,883,684
Prior year adjustments & equity transfers	1,506,837	-	1,506,837
Fund balances, end of year	<u>\$ 4,949,280</u>	<u>\$ 4,150,379</u>	<u>\$ 9,099,659</u>

City of Greenville, Mississippi
Statement of Net Assets - Proprietary Funds
For the year ended September 30, 2008

Assets	Water/ Sewer Utility Funds	Non-Major Enterprise Fund	Total	Internal Service Fund
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable, less allowances	80,138	200,043	280,181	16,220
Inventories	-	-	-	54,875
Due from other funds	394,552	568,057	962,609	384,494
Total current assets	<u>474,690</u>	<u>768,100</u>	<u>1,242,790</u>	<u>455,589</u>
Capital assets				
Land	-	2,512,541	2,512,541	-
Buildings and improvements	9,000,000	25,760,000	34,760,000	1,914,000
Improvements other than buildings	12,600	-	12,600	-
Machinery and equipment	848,519	9,272,020	10,120,539	2,097,099
Leased equipment	-	-	-	93,773
Furniture, fixture, and equipment	39,447	-	39,447	-
Infrastructure	134,610,813	210,678,675	345,289,488	-
Total capital assets	<u>144,511,379</u>	<u>248,223,236</u>	<u>392,734,615</u>	<u>4,104,872</u>
Accumulated depreciation	<u>(117,006,688)</u>	<u>(211,314,245)</u>	<u>(328,320,933)</u>	<u>(1,948,081)</u>
Capital assets, net	<u>27,504,691</u>	<u>36,908,991</u>	<u>64,413,682</u>	<u>2,156,791</u>
Other assets				
Loan origination fees/bond issuance cost (net of amortization)	362,540	-	362,540	-
Total assets	<u>28,341,921</u>	<u>37,677,091</u>	<u>66,019,012</u>	<u>2,612,380</u>
Liabilities				
Current liabilities				
Accounts/claims payable	213,813	831,490	1,045,303	24,059
Wages payable	371,725	-	371,725	29,268
Due to other funds	670,416	-	670,416	-
Current portion of long-term debt	-	36,713	36,713	-
Total current liabilities	<u>1,255,954</u>	<u>868,203</u>	<u>2,124,157</u>	<u>53,327</u>
Current liabilities payable from restricted assets				
Customer deposits	327,401	-	327,401	-
Current portion of revenue bonds	752,258	-	752,258	-
Total current liabilities payable from restricted assets	<u>1,079,659</u>	<u>-</u>	<u>1,079,659</u>	<u>-</u>
Long-term debt (less amounts classified as current liabilities)				
Lease obligations	-	77,203	77,203	-
General obligation bonds	-	-	-	-
Notes payable	7,119,541	-	7,119,541	-
Total long-term debt	<u>7,119,541</u>	<u>77,203</u>	<u>7,196,744</u>	<u>-</u>
Total liabilities	<u>9,455,154</u>	<u>945,406</u>	<u>10,400,560</u>	<u>53,327</u>
Net assets				
Invested in capital assets, net of related debt	20,385,150	36,908,991	57,294,141	-
Restricted for debt service	-	-	-	-
Unrestricted	(1,498,384)	(177,306)	(1,675,690)	2,559,053
Total net assets	<u>18,886,766</u>	<u>36,731,685</u>	<u>55,618,451</u>	<u>2,559,053</u>
Total liabilities and net assets	<u>\$ 28,341,921</u>	<u>\$ 37,677,091</u>	<u>\$ 66,019,012</u>	<u>\$ 2,612,380</u>

City of Greenville, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the year ended September 30, 2008

	Water/ Sewer Utility Funds	Non-Major Enterprise Funds	Total	Internal Service Fund
Operating revenues				
Sales to customers	\$ 5,689,943	\$ 1,819,869	\$ 7,509,812	\$ 1,800,169
Other revenues	81,763	773,452	855,215	-
Total operating revenues	<u>5,771,706</u>	<u>2,593,321</u>	<u>8,365,027</u>	<u>1,800,169</u>
Operating expenses				
Personnel services	2,132,587	380,125	2,512,712	448,151
Supplies	505,407	51,474	556,881	1,206,977
Other services and charges	6,665,654	4,184,069	10,849,723	171,409
Depreciation	4,418,659	4,907,623	9,326,282	198,529
Total operating expenses	<u>13,722,307</u>	<u>9,523,291</u>	<u>23,245,598</u>	<u>2,025,066</u>
Operating income (loss)	<u>(7,950,601)</u>	<u>(6,929,970)</u>	<u>(14,880,571)</u>	<u>(224,897)</u>
Non-operating revenues (expenses)				
Interest revenue	2,841	2,650	5,491	2,483
Interest and service charges	(345,095)	(9,738)	(354,833)	-
Gain (loss) on sale of fixed assets	4,525	800	5,325	1,127
CDBG - operating grants	-	-	-	-
Miscellaneous	-	(3,419)	(3,419)	-
Total non-operating revenues (expenses)	<u>(337,729)</u>	<u>(9,707)</u>	<u>(347,436)</u>	<u>3,610</u>
Income (loss) before contributions and transfers	<u>(8,288,330)</u>	<u>(6,939,677)</u>	<u>(15,228,007)</u>	<u>(221,287)</u>
Other financing sources (uses)				
Transfers in	14,527,908	541,032	15,068,940	-
Bad debt	(530,243)		(530,243)	-
Transfers out	(15,068,940)	-	(15,068,940)	-
Total transfers in (out)	<u>(1,071,275)</u>	<u>541,032</u>	<u>(530,243)</u>	<u>-</u>
Changes in net assets	<u>(9,359,605)</u>	<u>(6,398,645)</u>	<u>(15,758,250)</u>	<u>(221,287)</u>
Net assets - beginning	28,246,371	45,642,871	73,889,242	425,020
Prior period adjustments	-	(2,512,541)	(2,512,541)	2,355,320
Net assets - ending	<u>\$ 18,886,766</u>	<u>\$ 36,731,685</u>	<u>\$ 55,618,451</u>	<u>\$ 2,559,053</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2008

	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,018,198
Payments to suppliers of goods and services	(11,016,736)
Payments to employees for services	(2,579,649)
Net Cash Provided by Operating Activities	<u>(3,578,187)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	15,068,940
Transfers to other funds	(15,068,940)
Operating grants	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	4,922,605
Principal paid on capital debt	(1,038,701)
Cash paid for interest on capital debt	(354,833)
Other capital and financing activities	40,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>3,569,071</u>
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES	
Investment income	5,491
Net Cash Provided By (Used for) Investing Activities	<u>5,491</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,625)</u>
Cash and Cash Equivalents at Beginning of Year	
Unrestricted	3,625
Restricted	-
Total cash beginning of year	<u>3,625</u>
Cash and Cash Equivalents at End of Year	
Unrestricted	-
Restricted	-
Total Cash and Cash Equivalents at End of Year	<u>\$ -</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</u>	
Operating income (loss)	\$ (15,228,007)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	9,326,282
Bad debt	530,243
(Increase) decrease in accounts receivable, net	2,603,036
Increase (decrease) in due from other funds	(949,865)
Increase (decrease) in current liabilities	140,124
Total Adjustments	<u>11,649,820</u>
NET CASH FLOWS PROVIDED TO (USED IN) OPERATING ACTIVITIES	<u>\$ (3,578,187)</u>
Other Non Cash Items:	
Noncash investing, capital, and financing activities:	\$ -
Fair value of donated assets	-
Lease purchase agreements	-

See independent auditor's report and notes to the financial statements.

City of Greenville, Mississippi
Statement of Fiduciary Net assets
For the year ended September 30, 2008

Assets

Cash	\$ 4,692
Restricted cash	-
Accounts receivables	-
Taxes receivables	-
Due from other governments	39,070
Due from other funds	518,378
Total assets	<u><u>562,140</u></u>

Liabilities

Bank overdraft	-
Claims payable	24,917
Reserved for unemployment claims	456,170
Due to outside agencies	81,048
Due to other funds	5
Deferred credits	-
Total liabilities	<u><u>\$ 562,140</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Greenville, Mississippi (the City) is incorporated under the laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at-large and six part-time Council members (City Council) elected from wards. Major operations include public safety, public works, economic development, health and human services, culture and recreation and general administration services. In addition, the City owns and operates a water and sewer system.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be includible in the financial statements. The component unit discussed below is included because of the significance of its operational or financial relationships.

The following are included within the reporting entity using the blended method of presentation:

City of Greenville Park Commission. The City's Park Commission is appointed by the City Council. The City Council assesses taxes and approves rates for user charges and bond issuance authorization. The City Council has the authority to review and approve the budget.

The following is excluded from the reporting entity:

City of Greenville Separate School District. This potential component unit provides a service to residents generally within the geographic boundaries of the City. This potential component unit is excluded from the reporting entity because the government does not have the ability to exercise influence over daily operations, approve budgets or provide funding. Mississippi statutes require Municipal school districts be a separate reporting entity.

B. Basic Financial Statements-Government-wide and Fund Level Statements

The basic financial statements include both government-wide (reporting as a whole) and fund financial statements (reporting major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Public safety, public works, economic development, health and human services, culture and recreation and general administration services are classified as governmental activities. Water and sewer services are classified as business-type activities.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the Government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted resources are utilized first to finance qualifying activities.

The Government-wide Statement of Activities reports both on the gross and net cost of each function and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 applicant who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific expenditures.

The Statement of Activities reduces gross expenses (including depreciation expense) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported as *general revenues*. Net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in net assets resulting from current year's activities.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues. Other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund. It accounts for all financial transactions, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Utility - This fund accounts for activities associated with providing water and sewer service.

Additionally, the following fund types are reported:

Governmental Funds:

General Fund- is the general operating fund. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds- are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service- Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds- are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

Proprietary Funds:

Enterprise Funds- are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation expense) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund- is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary Funds- are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets are reported using accounting principles similar to proprietary funds.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth *minimum* criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in fund financial statements.

The Internal Service Fund is presented in the proprietary funds financial statements. Because the principal users of internal services are the governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the costs of these services are reported in the appropriate functional activity (police, fire, public works, etc.).

Fiduciary funds are presented in the fiduciary fund statements by type (unemployment, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Assets, Liabilities, Net Assets and Equity

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of maturity. Collateral, as further discussed in Note 3A, is pledged to secure deposits.

2. Receivables

All receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 31 with all investment income, including interest from short-term interest bearing securities being recognized as earned. Statutes authorize the City to invest in U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Inventories

Inventories are priced at cost using the First-In, First-Out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed. Inventories consist of major stores of material and supplies held at central locations.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. Classes of capital assets and their capitalization levels are: land - cost or fair market value, buildings \$50,000, land improvements - \$25,000, machinery and equipment - \$500, infrastructure - \$100,000, and construction in progress - based on the project's class. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capitalized assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund asset constructed with the proceeds of tax exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective June 15, 2002. Infrastructure assets include roads, bridges, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class.

6. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimated to be earned) by employees up to 1 day per month after 6 months of service and 1 1/2 days after 15 years of service. However, upon termination of employment no employee is paid for more than 30 days. The excess may be applied as creditable service time through the Public Employees Retirement System. For the proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, at the fund level, all compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation.

7. Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as "*Other Financing Sources/Uses*".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds utilizing the outstanding method, which approximate the effective interest method. Bond discounts and premium are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. **Interfund Activity**
Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.
9. **Revenues**
Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.
10. **Expenditures**
Expenditures are recognized when the related fund liability is incurred. The cost of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed.
11. **Reserves and Designations**
Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure.
12. **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 external restrictions imposed by creditors, grantors, laws, or regulations of other governments.
13. **Pension Expenses**
The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 3J.
14. **Post-Employment Health Care and Life Insurance Benefits**
The City does not incur costs associated with post-employment benefits for retired employees, but allows vested employees to continue in the group plan after retirement. However, the retired employee pays 100% of premiums.
15. **Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.
16. **New Accounting Standards**
The City will adopt the following new accounting pronouncements in future years:
GASB Statement No. 39 - This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. The Mayor and City Clerk prepare estimates of available revenue.
2. Department heads submit proposed expenditure budgets to the Mayor and City Clerk.
3. Expenditure budgets are reviewed by the Mayor and City Clerk and necessary revisions are communicated to department heads.
4. Budgeted revenues and expenditures are balanced, and a summary is prepared.
5. The Mayor and City Clerk submit the proposed budget to the City Council in August. The municipal budget must be adopted before September 15, and published in a local newspaper no later than September 30.
6. The budget must be revised at the first meeting in July and every month thereafter if it appears that budgeted revenues will not materialize. The governing authority may, by unanimous vote, revise the budget without any public hearing or notice, if an emergency situation exists as defined in Section 21-35-19, Mississippi Code Ann. (1972).
7. The City prepares annual budgets in conformity with Mississippi law which requires that municipality's budget on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is, therefore, not considered a generally accepted accounting principle.
8. Expenditures may not legally exceed appropriations at the department level except for capital outlay, election expenses, and payment of emergency warrants.
9. Appropriations lapse 30 days after year end.

Budgeted amounts are as originally adopted or as amended by the City Council as of September 30th.

10. Encumbrance accounting, under which executed but unperformed purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds; Encumbrances outstanding at year-end are reported as reservations of fund balances and are reappropriated in the next year's budget.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)

B. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations are presented on the Statement of Revenues, Expenditures and Changes in Fund Balances.

C. Deficit Fund Equity

The STIP, Park, and Airport Improvement funds' equity deficits were created by year end accruals and were not caused by overexpenditures.

NOTE 3 - DETAILED NOTES ON ALL FUNDS:

A. Deposits and Investments

1. Policies and Practices

Collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-106-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits equal to at least 106% of the amount of the deposit in excess of the insured amount. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

State statutes authorize the government to invest in interest bearing certificates of deposit issued by a qualified depository of the government or in direct obligation of the United States of America.

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursements for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

The City's deposits and investments are categorized below to give an indication of the level of risk assumed by the City at year-end.

Category 1 Insured or registered, with securities held by the City or its agent in the City's name.

Category 2 Uninsured, collateralized with securities held by the counterparty's trust department or agent in the City's name.

Category 3 Uninsured, collateralized with securities held by the counterparty or by its trust department or agent, but not in the City's name.

2. Deposits - Primary Government

At year end, the carrying amount of deposits was \$4,915,212 and the bank balances totaled \$4,904,301. Of the bank balances, \$250,000 was insured by federal deposit insurance (insured, risk Category 1) and \$4,654,301 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code, but not necessarily held in the City's name (collateralized, risk Category 3).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS

B. Receivables

Receivables at September 30, 2008, for the primary government's individual major, nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>				<u>Business- Type Activities</u>	<u>Trust & Agency Fund</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>			
Taxes receivable	\$ 565,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 565,739
Accounts receivable	160,534	15,515	11,273	800,000	280,181	-	1,267,503
Fines	2,718,738						2,718,738
Allowance for doubtful accounts	(1,387,412)	-	-	-	-	-	(1,387,412)
Due from other government	-	-				39,070	39,070
Total	\$ 2,057,599	\$ 15,515	\$ 11,273	\$ 800,000	\$ 280,181	\$ 39,070	\$ 3,203,638

Revenues from Water and Sewer usage are reported net of collectible amounts. Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Washington County bills and collects real, personal and auto ad valorem taxes for the City of Greenville, Mississippi.

Taxes are due on or before February 1st; however, installment payments can be made by paying one-half of the balance due on February 1st and one-fourth each May and August 1st.

Tax millage levies for 2008 were collected in the current fiscal year and statutory maximum millage rates were as follows:

1. Property Tax

The County prepares and approves the tax rolls in July and tax bills are prepared in December and become delinquent on February 1st. The levy on automobile taxes is collected by the County and remitted to the City monthly. Washington County also remits a pro-rata share of road maintenance taxes levied by the County.

The City assessed a tax levy on the 2008 tax rolls of 54.00 mills per \$1,000 of assessed valuation for property within its incorporated boundaries. Additionally, the City assessed 59.60 mills per \$1,000 of assessed value for property within the Greenville Public School boundaries.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Notes Receivable

- CDBG - Loan Fund - Fine Vines, Inc.:

Fine Vines, Inc.

In the fiscal year ended September 30, 1994, the City loaned Fine Vines, Inc., a Mississippi corporation, \$79,066. The loan was repayable beginning October 1, 1993, in monthly installments of \$662 for the first twelve months and \$1,528 per month for the 60 months thereafter. Interest on the unpaid principal accrued at 6.0 percent per annum. The last payment received by the City was in April 1995. Since that time, Fine Vines, Inc. was given a moratorium until the company regained its financial stability, but defaulted and went out of business in September 1999. Although the City is hopeful of an eventual recovery, an allowance for doubtful account for the entire amount due of \$65,095 has been established.

- CDBG - Loan Fund - U.S. Axminister/Delta Pallet:

U.S. Axminister

In fiscal year 1987, the City procured a Community Development Block Grant loan for U.S. Administer, Inc. in the amount of \$995,000. Funds were repayable to the City over a period of 25 years. Terms of repayment were allocated between two separate notes as follows:

		Note 1		Note 2
Original Note Amount	\$	245,000	\$	750,000
Monthly Payment	\$	3,757	\$	5,542
Date of First Payment		3-1-87		3-1-89
Interest Rate		7.5%		7.5%
Terms		85 Months		25 Years

The City entered into an "intercreditor agreement" with the Governor's Office of Federal-State Programs (GOFSP) and U.S. Axminister, whereby, the City guaranteed repayment of the CDBG funds. The City acts as a collecting agency for U.S. Axminister payments and remits all program revenues to the GOFSP.

As a part of the "intercreditor agreement," the City adopted a binding resolution that states "if the principal of the loan authorized by the Grant is not repaid or the unpaid principal is not realized from converted collateral available to the City, the City will, through in-kind contribution by way of CDBG eligible work projects ... account for the unrecovered principal." Consequently, a corresponding note is set up in this fund representing the note due to the GOFSP.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Delta Pallet, Inc.

In 1991, the City acquired a Community Development Block Grant for \$216,000. The grant funds were loaned to Delta Pallet, Inc., a Mississippi Corporation. Funds were repayable to the City over a period of 108 months. Monthly installments of \$2,762 began March 1, 1992. Interest on the unpaid principal accrued at a rate of 9.5 percent per annum. On March 3, 1992, the City Council approved a twelve-month moratorium on principal and interest payments. Interest earnings for 1994 and 1993, had the moratorium not been granted, would have been \$10,885 and \$7,483, respectively. On March 1, 1993, Delta Pallet, Inc., resumed payments according to the payment schedule. No payments have been received on this note since November 1994. The City is currently in foreclosure with this loan. Because the City has a third lien on the property and a building owned by Delta Pallet, Inc., the collectibility of the note is doubtful and an allowance for doubtful accounts was established.

The City obtained title to various assets of Delta Pallet. During 1997, a truck, and later a house was sold. Approximately \$6,000 was recovered by the City. The proceeds were treated as a recovery of bad debt.

The City resolved to repay all loans made to Delta Pallet, Inc., to the Governor's Office of Federal State Programs, and the Department of Community Development. As a result, the City established a note payable corresponding to the note receivable from Delta Pallet, Inc., but did not pledge the City's full faith and credit for the note.

- **CDBG - Loan Fund - Fine Vines, Inc.**

In fiscal 1989, the City acquired a Community Development Block Grant for \$378,417. Grant funds were loaned to Fine Vines, Inc., a Mississippi corporation. Subsequent to September 1999, Fine Vines, Inc., went out of business and the collectibility of their balance is doubtful.

The City resolved to repay all loans made to Fine Vines, Inc., to the Governor's office of Federal State Programs, Department of Community Development. As a result, the City established a note payable corresponding to the note receivable from Fine Vines, Inc. The City did not pledge full faith and credit for the note.

The City received notice from the State of Mississippi Development Authority subsequent to September 30, 2001 that the Authority will not hold the City responsible for the unpaid loan balance. Further, that the City is in possession of the industrial building that was collateral for the loan and that prior to leasing, selling, or otherwise disposing of the building, prior approval is required from the Authority. An allowance for doubtful accounts was established for this loan.

- **CDBG Loan Fund - Housing Grant**

The City holds outstanding mortgages on loans to participants in a program to rehabilitate houses in the City of Greenville. South Delta Planning and Development District, Inc., administered the grants. As of September 30, 2008, there were six (6) loans outstanding, two (2) of which were in default. The outstanding balance of all mortgages was \$12,851 and the allowance for doubtful account was established at \$12,851.

Summary of notes receivable as of September 30, 2008:

Enterprise Funds	\$ -
Housing Grant	12,851
Subtotal	<u>12,851</u>
Allowance for uncollectible notes	<u>(12,851)</u>
Notes receivables, net	<u>\$ -</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Changes in Capital Assets were as follows:

	Balance Oct 1, 2007	Additions	Reclass/ Disposals	Prior Year Adjustment	Balance Sept 30, 2008
<i>Governmental Activities:</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 85,402,539	\$ 2,318,767	\$ -	\$ (2,512,541)	\$ 85,208,765
Construction in progress	-	154,970	6,589,913	-	6,744,883
Total capital assets not being depreciated	<u>85,402,539</u>	<u>2,473,737</u>	<u>6,589,913</u>	<u>(2,512,541)</u>	<u>91,953,648</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	34,805,963	139,442	(3,902,165)	-	31,043,240
Machinery, and equipment	9,486,352	672,622	(2,701,390)	-	7,457,584
Furniture and equipment	603,998	175,105	(102,765)	-	676,338
Infrastructure	236,194,852	2,177,298	2,628,948	-	241,001,098
Total capital assets being depreciated	<u>281,091,165</u>	<u>3,164,467</u>	<u>(4,077,372)</u>	<u>-</u>	<u>280,178,260</u>
Total governmental capital assets	<u>366,493,704</u>	<u>5,638,204</u>	<u>2,512,541</u>	<u>(2,512,541)</u>	<u>372,131,908</u>
Less accumulated depreciation	<u>(184,707,465)</u>	<u>(3,350,843)</u>	<u>1,971,807</u>	<u>-</u>	<u>(186,086,501)</u>
Total governmental activities assets	<u>181,786,239</u>	<u>2,287,361</u>	<u>4,484,348</u>	<u>(2,512,541)</u>	<u>186,045,407</u>
<i>Proprietary Funds</i>					
<i>Capital assets not being depreciated:</i>					
Land	-	-	-	2,512,541	2,512,541
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,512,541</u>	<u>2,512,541</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	37,285,191	-	(2,512,591)	-	34,772,600
Automotive and equipment	13,075,510	-	(2,954,971)	-	10,120,539
Furniture and equipment	-	-	39,447	-	39,447
Infrastructures	341,333,241	4,922,605	(966,358)	-	345,289,488
Total capital assets being depreciated	<u>391,693,942</u>	<u>4,922,605</u>	<u>(6,394,473)</u>	<u>-</u>	<u>390,222,074</u>
Total proprietary capital assets	<u>391,693,942</u>	<u>4,922,605</u>	<u>(6,394,473)</u>	<u>2,512,541</u>	<u>392,734,615</u>
Less accumulated depreciation	<u>(310,740,415)</u>	<u>(9,326,282)</u>	<u>(8,254,236)</u>	<u>-</u>	<u>(328,320,933)</u>
Total proprietary funds, net	<u>80,953,527</u>	<u>(4,403,677)</u>	<u>(14,648,709)</u>	<u>2,512,541</u>	<u>64,413,682</u>
Capital assets, net	<u>\$ 262,739,766</u>	<u>\$ (2,116,316)</u>	<u>\$ (10,164,361)</u>	<u>\$ -</u>	<u>\$ 250,459,089</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of equipment. These agreements qualify as capital leases for accounting purposes (titles transfer at the end of the term) and have been recorded at the present value of the future minimum lease payments as of the date of their acquisition.

Lease agreements are as follows:	<u>Amounts Due</u>
6.30 percent lease payable, secured by Breathing Apparatus, payable in annual installments of \$16,616 including interest, maturing July 1, 2012.	\$ 57,190
6.89 percent lease payable, secured by Supercommercial Pumper, payable in annual installments of \$27,981 including interest, maturing July 5, 2011.	73,580
5.19 percent lease payable, secured by Rescue One Pumper Fire Truck, payable in annual installments of \$31,735 including interest, maturing February 8, 2010.	58,850
5.49 percent lease payable, secured by Fire Ladder Truck, payable in 60 annual installments of \$58,866 including interest, maturing February 2011.	158,845
4.49 percent lease payable, secured by IBM i5 server, payable in 30 semi-annual installments of \$7,680 including interest, maturing July 2012.	56,039
3.340 percent lease payable, secured by STECO (sanitation truck & trailer), payable in 60 annual installments of \$40,576 including interest maturing February 2011.	113,916
3.59 percent lease payable, secured by Street Sweeper, payable in 5 annual installments of \$24,521, maturing March, 2010.	46,656
3.59 percent lease payable, secured by Street Sweeper, payable in 5 annual installments of \$24,521, maturing March, 2010.	46,656
5.93 percent lease payable, secured by Avaya, payable in 60 monthly installments of \$806, including interest maturing June, 2011.	24,496
3.34 percent lease payable, secured by Equipment, payable in 5 annual installments of \$109,256, maturing September, 2010.	<u>207,878</u>
TOTAL	<u>\$ 844,106</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Leases (continued)

The following is a schedule of required future minimum lease payments:

Year Ending September 30,	Governmental Amount	Proprietary Amount	Total
2009	284,271	36,713	320,984
2010	297,044	37,958	335,002
2011	117,971	39,245	157,216
2012	30,904	-	30,904
2013	-	-	-
Thereafter	-	-	-
Total future minimum lease payments	<u>730,190</u>	<u>113,916</u>	<u>844,106</u>
Less amount representing interest	<u>(65,351)</u>	<u>(7,813)</u>	<u>(73,164)</u>
Present value of future lease payments	<u>\$ 664,839</u>	<u>\$ 106,103</u>	<u>\$ 770,942</u>

F. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the City's account groups. Rental expense for September 30, 2008 was \$75,373.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2008:

<u>September 30,</u>	<u>Amount</u>
2009	\$ 77,071
2010	45,023
2011	29,800
2012	11,665
2013	-
Thereafter	-
Total	<u>\$ 151,894</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

- **Lease Revenue**

The Mid-Delta Regional Airport leases several buildings to various tenants under operating lease agreements. The following is a schedule by years of minimum future rentals on noncancellable operating leases as of September 30, 2008:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	\$ 686,153
2010	686,153
2011	686,153
2012	-
2013	-
Thereafter	-
Total	<u>\$ 2,058,459</u>

G. Loan Issuance Cost

The City obtained financing through the Mississippi Department of Environmental Quality State Revolving Fund Program and Other Institutions for the construction of various projects. The City was charged \$372,841 for administrative services of the loans. In accordance to general accepted accounting principles (GAAP), these costs are reflected as "other asset" and are amortized over the lives of the respective loans. The recorded value of the issuance costs was \$362,540 at September 30, 2008. The city did not appropriately amortize the loan issuance cost for the past four years ended September 30, 2008 which is a departure from GAAP.

H. Long-Term Debt

- **General Obligation Bonds:**

The government issues general obligation bonds to provide funds for construction of major capital facilities. General obligation bonds have general government and proprietary activities.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Governmental Activities:	Balance			Outstanding	Due Within	Due in more
	Outstanding Sep 30, 2007	Additions	Retirements	Sep 30, 2008	One Year	than one year
General Obligation Bonds Payable						
1995 Refunding Bonds	\$ 420,000	\$ -	\$ 215,000	\$ 205,000	\$ 205,000	\$ -
1998 Street Bonds	245,000	-	245,000	-	-	-
2003 Refunding Bonds	828,445	-	166,840	661,605	300,000	361,605
2000 Refunding Bonds	340,679	-	(10,221)	350,900	84,150	266,750
2008 Refunding Bonds	-	2,000,000	-	2,000,000	-	2,000,000
2007 Refunding Bonds	2,000,000	-	-	2,000,000	65,000	1,935,000
TIF Bond	655,000	-	155,000	500,000	160,000	340,000
Total general obligation bonds payable	<u>4,489,124</u>	<u>2,000,000</u>	<u>771,619</u>	<u>5,717,505</u>	<u>814,150</u>	<u>4,903,355</u>
General Obligation						
Note payable	88,281	1,440	89,721	-	-	-
Trustmark National Bank	139,309	-	62,191	77,118	64,315	12,803
Trustmark National Bank	-	380,000	120,991	259,009	126,577	132,432
Trustmark National Bank	-	771,747	-	771,747	144,973	626,774
Total general obligation notes payable	<u>227,590</u>	<u>1,153,187</u>	<u>272,903</u>	<u>1,107,874</u>	<u>335,865</u>	<u>772,009</u>
General Obligation						
Capital Lease-purchase agreements						
Avaya	32,461	-	7,965	24,496	8,449	16,047
People's National Bank	69,435	-	12,245	57,190	13,016	44,174
Federal Signal	95,013	-	21,433	73,580	22,912	50,668
Federal Signal	206,383	-	47,538	158,845	50,145	108,700
BanCorp South	-	71,400	15,361	56,039	12,985	43,054
Federal Signal	86,115	-	27,265	58,850	28,680	30,170
First Continental Leasing	68,842	-	22,186	46,656	22,939	23,717
First Continental Leasing	68,842	-	22,186	46,656	22,939	23,717
First Continental Leasing	220,199	-	220,199	-	-	-
First Continental Leasing	306,731	-	98,853	207,878	102,206	105,672
Total Capital Lease	<u>1,154,021</u>	<u>71,400</u>	<u>495,231</u>	<u>730,190</u>	<u>284,271</u>	<u>445,919</u>
Total Governmental Activities	<u>5,870,735</u>	<u>3,224,587</u>	<u>1,539,753</u>	<u>7,555,569</u>	<u>1,434,286</u>	<u>6,121,283</u>
Business-Type Activities:						
Water & Sewer General Obligation Bonds						
2003 Refunding Bonds	611,555	-	123,160	488,395	-	488,395
Water and Sewer Improvement						
2000 Refunding Bonds	869,321	-	240,221	629,100	150,850	478,250
Total water & sewer general obligation bonds	<u>1,480,876</u>	<u>-</u>	<u>363,381</u>	<u>1,117,495</u>	<u>150,850</u>	<u>966,645</u>
Water and Sewer						
Capital lease payable- Sanitation	48,337	-	48,337	-	-	-
State Revolving Loan Fund						
C280767-01-2	1,360,121	-	141,006	1,219,115	147,485	1,071,630
C280767-02-2	821,136	-	84,066	737,070	84,106	652,964
C280767-03-2	1,360,364	-	114,942	1,245,422	114,943	1,130,479
C280767-04-2	693,853	40,000	57,660	676,193	57,660	618,533
C280767-05-2	1,393,725	-	95,954	1,297,771	99,366	1,198,405
C280767-06-2	1,676,580	-	97,847	1,578,733	97,848	1,480,885
Total water & sewer	<u>7,354,116</u>	<u>40,000</u>	<u>639,812</u>	<u>6,754,304</u>	<u>601,408</u>	<u>6,152,896</u>
Sanitation						
Capital lease	149,424	-	35,508	113,916	36,713	77,203
Total sanitation	<u>149,424</u>	<u>-</u>	<u>35,508</u>	<u>113,916</u>	<u>36,713</u>	<u>77,203</u>
Total Business-Type Activities	<u>8,984,416</u>	<u>40,000</u>	<u>1,038,701</u>	<u>7,985,715</u>	<u>788,971</u>	<u>7,196,744</u>
Subtotal Debt	<u>14,855,151</u>	<u>3,264,587</u>	<u>2,578,454</u>	<u>15,541,284</u>	<u>2,223,257</u>	<u>13,318,027</u>
Compensated absences	574,557	721,894	475,181	821,270	328,508	492,762
Accrued interest	124,167	-	2,870	121,297	121,297	-
Total Long-Term Debt	<u>\$ 15,553,875</u>	<u>\$ 3,986,481</u>	<u>\$ 3,056,505</u>	<u>\$ 16,483,851</u>	<u>\$ 2,673,062</u>	<u>\$ 13,810,789</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)							
FOR THE YEAR ENDED SEPTEMBER 30, 2008							
NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)							
Detail of bonds and notes outstanding:							
	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance September 30, 2008		
					Governmental Activities	Business-Type Activities	Total
General Obligation Bonds:							
1995 Refunding Bonds	4.6 to 6.0	11/01/95	12/01/08	\$ 1,865,000	\$ 205,000	\$ -	\$ 205,000
1998 Street Bonds	4.125 to 5.70	03/27/98	04/01/08	2,000,000	-	-	-
2003 Refunding Bonds	1.3 to 3.85	01/30/03	09/01/13	2,855,000	661,605	488,395	1,150,000
2000 Refunding Bonds	3.6 to 4.6	05/01/99	04/01/12	2,345,000	350,900	629,100	980,000
2001 TIF Limited Bond	4.4 to 6.0	03/01/02	09/01/01	1,200,000	500,000	-	500,000
2008 Refunding Bonds	varies by maturity		08/01/28	2,000,000	2,000,000	-	2,000,000
2007 Refunding Bonds	5.0		04/01/27	2,000,000	2,000,000	-	2,000,000
Subtotal GO Bonds				14,265,000	5,717,505	1,117,495	\$ 6,835,000
Other Issued Debt:							
<i>Note payable:</i>							
Bank	5.56	07/05/00	07/05/05	194,727	-	-	-
Bank	3.3	12/06/02	12/05/09	407,975	77,118	-	77,118
Bank	3.79	04/01/02	04/01/07	153,714	-	-	-
Bank	4.625	12/08/99	12/05/04	118,915	259,009	-	259,009
Bank	6.0	09/10/04	04/05/07	1,500,000	771,747	-	771,747
Union Planter's Bank	3.33	10/16/03	10/16/08	213,599	-	-	-
Bank	3.33			-	-	-	-
<i>State Revolving Loan:</i>							
C280767-01-2	4.5	06/24/94	11/01/15	2,591,483	-	1,219,115	1,219,115
C280767-02-2	4.5	09/01/94	12/01/15	1,555,643	-	737,070	737,070
C280767-03-2	4.5	03/18/96	05/01/17	2,253,685	-	1,245,422	1,245,422
C280767-04-2	4.5	09/30/96	12/01/17	1,166,736	-	676,193	676,193
C280767-05-2	3.5	12/01/99	08/01/19	2,033,849	-	1,297,771	1,297,771
C280767-06-2	3.0	02/01/02	09/10/21	2,172,147	-	1,578,733	1,578,733
<i>Capital Leases:</i>							
Avaya				41,778	24,496	-	24,496
People's National Bank	6.296	05/15/02	07/01/12	120,602	57,190	-	57,190
People's National Bank	0	03/25/04	03/25/07	61,031	-	-	-
Federal Signal	6.88933	04/21/01	04/22/11	197,537	73,580	-	73,580
Federal Signal	5.19	02/08/00	02/08/10	242,806	158,845	-	158,845
Federal Signal	5.49	06/20/01	02/08/10	433,921	58,850	-	58,850
Tymco International	5.75	12/20/00	12/20/06	93,773	-	-	-
First Continental Leasing	3.59	03/10/05	03/10/10	111,056	46,656	-	46,656
First Continental Leasing	3.59	03/10/05	03/10/10	111,056	46,656	-	46,656
First Continental Leasing	3.34	06/10/05	06/10/08	780,231	-	56,039	56,039
First Continental Leasing	3.34	09/10/05	09/10/10	494,815	207,878	113,916	321,794
Subtotal Other Issued Debt				17,051,079	1,782,025	6,924,259	8,706,284
Compensated absences				821,270	-	-	821,270
Accrued interest				124,167	2,870	-	121,297
Total Long-term debt				\$ 32,261,516	\$ 7,502,400	\$ 8,041,754	\$ 16,483,851

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 3- DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities

	General Obligation Bonds Amount	Notes & Leases Amount	Total Issued Debt Amount
2009	\$ 814,150	\$ 620,136	\$ 1,434,286
2010	700,950	591,795	1,292,745
2011	579,500	272,173	851,673
2012	416,300	189,939	606,239
2013	340,000	164,021	504,021
Thereafter	3,355,000	-	3,355,000
Total payments	6,205,900	1,838,064	8,043,964
Interest	2,671,663	148,252	2,819,915
Total	\$ 8,877,563	\$ 1,986,316	\$ 10,863,879

Business-Type Activities

	General Obligation Bonds Major Enterprise Fund, Water/Sewer and Sanitation	Notes & Leases Major Enterprise Fund, Water/Sewer, and Sanitation	Total Issued Debt Amount
2009	\$ 150,850	\$ 638,121	\$ 788,971
2010	154,050	664,443	818,493
2011	160,500	681,879	842,379
2012	163,700	664,320	828,020
2013	-	732,947	732,947
Thereafter	-	3,486,510	3,486,510
Total payments	629,100	6,868,220	7,497,320
Interest	111,896	1,353,264	1,465,160
Total	\$ 740,996	\$ 8,221,484	\$ 8,962,480

Maturities are as follows:

Year Ending September 30,	Amount
2009	\$ 2,223,257
2010	2,111,238
2011	1,694,052
2012	1,434,259
2013	1,236,968
Thereafter	6,841,510
Total future minimum payment	15,541,284
Plus amount representing interest	4,285,075
Present value of future payment	\$ 19,826,359

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following notes payable are for funds borrowed under Code Section 17-21-51 of the Mississippi Code:

General Fund	\$ 1,107,874
Sanitation Fund	-
Total	<u><u>\$ 1,107,874</u></u>

The following is a summary of maturities over the remaining life of the debt:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	335,865
2010	294,751
2011	154,202
2012	159,035
2013	164,021
Thereafter	82,901
Total future minimum payment	<u>1,190,775</u>
Less amount representing interest	<u>(82,901)</u>
Present value of future payment	<u><u>\$ 1,107,874</u></u>

- Debt Defeasement:

On May 1, 1999, the City issued \$2,345,000 in General Obligation Bonds Series 1999 with interest rates ranging between 3.6% and 4.6%. The City issued the bonds to advance refund \$2,155,000, which represented a portion of the \$3,500,000 General Obligation Refunding Bonds Series 1992. The net proceeds were used to purchase U. S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until each issue was called. The 1992 bonds were subject to call on April 1, 2002. As a result, the advance refunding met the requirements of an in-substance debt defeasance. The portion of the Series 1992 Bond liability considered defeased, \$2,155,000, was removed from the Enterprise Fund and a liability for the respective portion of the 1999 Refunding Bonds, \$2,345,000 was recorded in the Enterprise Fund. As a result, the City reduced its debt service requirements by \$713,457, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt) of \$640,193.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

- Limitation of Indebtedness:

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1 -1 to 57 -1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-4-1 through 21-41-53.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2008.

Authorized Debt Limit	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation for fiscal year ended September 30, 2008	\$ 176,199,991	\$ 176,199,991
Debt limit-15% - 20%	26,429,999	35,239,998
Present debt subject to 15 percent limitation	(7,555,569)	
Present debt subject to 20 percent limitation including debt subject to only 15 percent limitation		(15,541,284)
Margin for further debt	<u>\$ 18,874,430</u>	<u>\$ 19,698,714</u>

The City authorized the issuance of debt bearing its name for the benefit of one organization, but assumes no repayment for the bonds. A description along with the outstanding balance at September 30, 2008, is as follows:

\$4,300,000 Industrial Development Revenue Bonds (Mebane Packaging Corporation) dated August 1, 1988	<u>\$ 615,000</u>
	<u>\$ 615,000</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. The governmental and business type funds reflect such transactions as operating transfers or interfund receivables. Interfund balances as of September 30, 2008 were as follows:

Fund	Interprogram Due From	Interprogram Due To
Governmental		
General	\$ 642,636	\$ 240,919
Gaming	528,399	15,366
Internal service	384,494	
Non-Major	881,675	267,488
Total governmental	2,437,204	523,773
Proprietary		
Water & Sewer	394,552	600,000
Water & Sewer Capital Improvement	573,545	70,416
Total proprietary	968,097	670,416
Non-Major Enterprise	568,057	-
Fiduciary Funds	518,378	3,297,547
Total	\$ 4,491,736	\$ 4,491,736
Fund		
	Transfers In	Transfer Out
Governmental		
General	\$ 1,608,647	\$ 1,609,916
Gaming	-	1,182,000
Parks & recreation	434,328	-
Airport	380,000	-
Police grant	-	-
Debt service	35,000	189,000
City 2001 Bond	189,000	-
Municipal Improvement Fund (300)	-	-
Public Impr.	360,565	-
STIP St. Improvement	-	-
TIP Construction	-	-
Park Improvement	4,000	-
Total governmental	3,011,540	2,980,916
Proprietary		
Water & Sewer	5,477,825	14,365,757
Water & Sewer Capital Improvement	1,122,422	376,392
State Sewer Loan	7,927,661	326,791
Total proprietary	14,527,908	15,068,940
Non-Major Enterprise	544,032	-
Fiduciary Funds	-	33,624
Total	\$ 18,083,480	\$ 18,083,480

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Employee Retirement Systems

The government maintains a single-employer, defined benefit pension plan (Public Safety Employees Retirement System) which covers all of its public safety employees, employed prior to July 1, 1977. The government also participated in the statewide local government retirement system, a multiple-employer, cost-sharing public employee pension plan which covers substantially all of the government's general employees.

- Public Safety Employees' Retirement System (PERS):

On July 1, 1987, the City transferred all funds and unmatured investments that were being maintained by the Fire and Police Pension Fund to the State of Mississippi Public Employees' Retirement System.

- Plan Description - PERS:

Public Safety Employees Retirement System (PERS) is a single-employer defined benefit pension plan administered by the Mississippi Municipal Retirement System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The allowances of all retirees and beneficiaries are adjusted annually by a thirteenth check on the basis of the annual percentage change in each fiscal year of the Consumer Price Index to a maximum of 2-1/2 percent per year. Mississippi Municipal Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1006, or by calling (601)359-3589 or 1-800-444-PERS.

- Funding Policy - PERS:

The government's funding policy is to provide for periodic employer contributions at actuarial determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 21 years.

- Annual Pension Cost and Net Pension Obligation - PERS:

The government's annual pension cost and net pension obligation to the Mississippi Municipal Retirement Systems for the current year were as follows:

Annual Required Contribution	\$ 545,374
Contribution Made	(734,593)
Increase (Decrease) in Pension Obligation	<u>\$ (189,219)</u>

At September 30, 2008, the unfunded actuarial accrued liability was determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ 10,771,710
Active members	-
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	<u>10,771,710</u>
Actuarial value of assets	<u>4,765,983</u>
Unfunded actuarial accrued liability	<u>\$ 6,005,727</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Employee Retirement Systems (continued)

The annual required contribution for the current year was determined as part of the September 30, 2008 actuarial valuation using the entry age actuarial costs method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a period of 37 years. In practice, the current financing arrangement provides for a contribution determined as a percentage of each City's assessed property valuations. This difference has historically resulted in the actual contribution being less than the annual required contribution. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.0 percent per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 2.0 percent per year compounded annually attributable to seniority/merit.

Three-Year Trend Information (In Thousands)

Fiscal Year Ending	Actuarial Value of Assets(a)	Actuarial Accrued Liability	Percent Funded	Actuarial Accrued Liability	Covered Payroll(c)	Percentage of Covered Payroll (b-a/c)
9/30/06	\$ 4,848	\$11,418	42.5%	\$ 6,570	-	N/A
9/30/07	4,800	11,233	42.7%	6,433	-	N/A
9/30/08	4,766	10,772	44.2%	6,006	-	N/A

• Plan Description - PERS:

The City 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 member 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 39201-1006, or by calling (601) 359-3589 or 1-800-444-PERS.

• Funding Policy - PERS:

PERS members are required to contribute 7.25 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.63 percent 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 ended September 30, 2008, 2007, and 2006 were \$577,519, \$583,550, and \$583,526 respectively, equal to the required contributions for each year.

K. Deferred Compensation Plan

The City offers its employees, through the Mississippi Public Employees' Retirement System (PERS), a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employee to defer a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until retirement, termination, death, or the occurrence of an unforeseeable emergency. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

Until January 1, 1997, deferred compensation, property and rights purchased with those amounts, and income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the Plan). Participants' rights under the Plan were equal to those of general creditors in an amount equal to the fair market value of the deferred account for each participant.

On January 1, 1997, the City amended the plan in accordance with the provisions of IRC Section 457(g). On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 4 - OTHER INFORMATION

A. Risk Management

1. Workers' Compensation

Workers' Compensation is provided in the State of Mississippi Liability Program.

2. Unemployment Benefits

The City participates in the State of Mississippi unemployment program and pays .006% of the 1st \$7,000 of salary for all covered employees. In addition, there is a Tax Reserve Fund which pays 2% on the 1st \$7,000 of salary per employee. Dollars are paid from this fund for wrongful termination and loss of job.

3. Group Benefits

The City provides Medical Benefits through Blue Cross Blue Shield and pays 100% of the premiums for enrolled employees. Family members can be covered at employee's expense.

4. Tort Liability

In compliance with the Tort Claims, Chapter 46 of Title 11 and as amended by the 1993 legislature, Section 11-46-17(3) requires municipalities from and after October 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover risks of claims and suits for which the City may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) purchase of liability insurance, (2) pooling of two or more municipalities or other political subdivisions or, to self-insure, (3) self-insure with the establishment of a self-insurance reserve fund. The City is in compliance by using method number one as indicated above.

5. Contingencies and Commitments

The City participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The City believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City has various commitments under construction contracts. The City's projects to rehabilitate sewer lines and to construct water and sewer facilities at the Greenpointe Industrial Park are financed by loans from the State Water and Pollution Control Revolving Fund. Total estimated cost to complete the projects approximates \$1,200,000 with various expected completion dates through September 30, 2009.

The City is defendant in various law suits and potential claims against the City. The eventual outcomes are undeterminable at this time as to their ultimate disposition and resultant settlements, if any. Management believes that settlement, if any, will be covered by liability insurance.

The City entered into a joint and several relationships with other public entities in the Mississippi Municipal Workers' Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contributions based on payroll and their own loss experience as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. No assessment was made or is probable for the year ended September 30, 2008.

The City issued a Tax Anticipation Note (Defrayed Expenses) to Trustmark Bank on October 8, 2008, with an interest rate of 3.42%, with a maturity date of March 15, 2009. This note was repaid in full including interest in the amount of \$2,029,640 on March 11, 2009.

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE 5. NET ASSETS

Analysis of Net Assets

Note 5 Disclosures

<u>Description</u>	<u>Invested in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Subtotal Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Beginning of year	\$ 175,912,604	\$ 103,831	\$ 4,560,370	\$ 180,576,805	\$ 73,889,242	\$ 254,466,047
<i>Adjustments to restate beginning balances:</i>						
Reclass land	2,512,541	-	-	2,512,541	(2,512,541)	-
Beginning of year, restated	178,425,145	103,831	4,560,370	183,089,346	71,376,701	254,466,047
<i>GASB-34 Adjustments:</i>						
Disposal of fixed assets	(2,512,541)	-	2,512,541	-	-	-
Debt issued	(3,224,587)	-	3,224,587	-	-	-
Debt retirement	1,539,753	(1,539,753)	-	-	-	-
Internal service fund eliminations	-	2,205,624	(2,205,624)	-	-	-
Compensated absence	-	775,010	(775,010)	-	-	-
Interest expense	-	(51,924)	51,924	-	-	-
Fixed assets purchases	5,641,104	-	(5,641,104)	-	-	-
Interfund transfer	-	-	-	-	-	-
Depreciation expense	(3,350,843)	-	3,350,843	-	-	-
Accumulated depreciation disposal	1,971,807	-	(1,971,807)	-	-	-
Total equity transfers & other	64,693	1,388,957	(1,453,650)	-	-	-
Change in net asset	-	466,428	885,530	1,351,958	(15,758,250)	(14,406,292)
End of year	\$ 178,489,838	\$ 1,959,216	\$ 3,992,250	\$ 184,441,304	\$ 55,618,451	\$ 240,059,755

REQUIRED SUPPLEMENTAL INFORMATION

City of Greenville, Mississippi
Budgetary Comparison Schedule (General Fund)
For the year ended September 30, 2008

	General Fund			Actual Over Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Realty taxes	\$ 8,162,633	\$ 5,246,790	\$ 5,277,602	\$ 30,812
Personal property taxes	-	1,937,438	1,975,115	37,677
Auto taxes	-	1,269,025	1,325,949	56,924
Franchise taxes	1,298,946	1,195,946	1,856,288	660,342
Sales taxes	6,833,130	6,400,000	6,477,147	77,147
Gaming taxes	-	1,785,000	-	(1,785,000)
Gas, fuel and road taxes	-	19,760	19,758	(2)
Fines, fees, licenses, and permits	568,500	705,250	577,639	(127,611)
Intergovernmental	374,710	301,915	240,857	(61,058)
Investment income	-	82,000	69,143	(12,857)
Leases	-	378,200	17,615	(360,585)
Contributions	-	8,585	2,811	(5,774)
Miscellaneous	268,785	262,000	141,557	(120,443)
Total revenue	<u>17,506,704</u>	<u>19,591,909</u>	<u>17,981,481</u>	<u>(1,610,428)</u>
Expenditures:				
General government	2,666,088	3,964,078	2,300,353	1,663,725
Public safety	11,956,395	10,874,259	11,200,986	(326,727)
Public works	2,615,457	1,938,806	3,217,079	(1,278,273)
Health and human services	451,950	294,000	294,000	-
Culture & recreational	5,750	-	-	-
Capital outlay	190,164	1,329,320	170,336	1,158,984
Debt service-principal and interest	-	606,011	-	606,011
Total expenditures	<u>17,885,804</u>	<u>19,006,474</u>	<u>17,182,754</u>	<u>1,823,720</u>
Excess of revenues over (under) expenditures	<u>(379,100)</u>	<u>585,435</u>	<u>798,727</u>	<u>213,292</u>
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	407,500	425,500	1,608,647	1,183,147
Transfer out	-	(1,550,000)	(1,609,916)	(59,916)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	41,502	48,446	6,944
Transfer to outside agency	-	-	-	-
Total other financing sources (uses)	<u>407,500</u>	<u>(1,082,998)</u>	<u>47,177</u>	<u>1,130,175</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>28,400</u>	<u>(497,563)</u>	<u>845,904</u>	<u>1,343,467</u>
Cash balances, beginning of year	330,534	1,629,427	1,629,427	-
Prior year adjustments & cash transfers	-	-	(671,900)	-
Cash balances, end of year	<u>\$ 358,934</u>	<u>\$ 1,131,864</u>	<u>\$ 1,803,431</u>	<u>\$ 1,343,467</u>
Net change in cash balance			\$ 174,004	

Adjustments necessary to convert the results of operation at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other sources over (under) expenditures and other uses per the Budgetary Comparison Schedule	845,904
(Increases) decreases from revenues	2,694,306
(Increases) decreases from expenditures	(713,064)
Accrued as liabilities at September 30, 2008 (GAAP) but not in budget	(474,405)
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 2,352,741</u>

See Independent Auditor's Report and Notes to the Financial Statements.

SINGLE AUDIT SECTION

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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

Honorable Mayor, Hudson
Members of the City Council
City of Greenville, 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 Greenville, Mississippi (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2009. The report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds was qualified because the City did not record all interfund transactions appropriately or appropriately amortize loan issue costs for the year under audit. As a result, we were unable to form an opinion as to the completeness regarding revenues and expenditures in the accompanying statement of activities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2008-1 through 2008-8.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2008-1 through 2008-8 in the accompanying schedule of findings and questionable costs to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated September 30, 2009.

This report is intended solely for the information and use of the audit committee, City Council, management, federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
Jackson, Mississippi
September 30, 2009

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

Honorable Mayor &
Members of the City Council
City of Greenville, Mississippi

Compliance

We have audited the compliance of The City of Greenville, Mississippi, ("the City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal *program* occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the City Council, management, and federal-awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
Jackson, Mississippi
September 30, 2009

CITY OF GREENVILLE, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008

<u>U.S. Department of Justice</u>	<u>CDEFA Number</u>	<u>Grantor's Number Or Pass-through Grantor's Number</u>	<u>Current year Expenditures</u>
Project Safe Neighborhood	16.710	03PS2121 (2006CKWX0459)	\$ 19,921
Local Law Enforcement Block Grant-Methamphetamine	16.592	076538 (2004LBBX0972)	139,022
Total			<u>158,943</u>
<u>Department of Housing and Urban Development</u>			
Passed through Mid-Delta Empowerment Zone Alliance	14.225	M07-SZ-001	106,062
CDBG Project-Producer's Rice/C & G Railroad (MDA)	14.228	1121-04-198-ED-01/DIP-185	489,610
Total			<u>595,672</u>
<u>U. S. Department of Homeland Security</u>			
Police Department-Passed through MS Dept of Public Safety	97.067	06HS198 (2006)	65,164
Total			<u>65,164</u>
<u>U. S. Department of Transportation</u>			
Federal Aviation Administration	20.106	3-28-0027-21-2004	194,638
Federal Aviation Administration	20.106	3-28-0027-22-2005	287,389
Federal Aviation Administration	20.106	3-28-0027-23-2006	1,512,428
Federal Aviation Administration	20.106	3-28-0027-24-2007	453,070
Total			<u>2,447,525</u>
<u>Pass through Mississippi Department of Transportation</u>			
Multi-Modal Port/Grant Harbor Front Road	14.228	NHS-9664-00(001) 104521-701	171,123
STIP (Washington Avenue)	20.205	STP-104996(801000)	630,252
Total			<u>801,375</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,068,679</u></u>

(1) Major Program (Total of new loans made during this year loans for which the federal government is at risk)

(2) This schedule is prepared on the same basis as the Government-wide financial statements.

See summary of significant accounting policies at Note 1.

See notes to the schedule of expenditures of federal awards

CITY OF GREENVILLE, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by the City of Greenville, Mississippi for the year ended September 30, 2008, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into by the City. It is not intended to and do not present either the financial position or the changes in fund balances of the City.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

REVENUE AND EXPENDITURE RECOGNITION

Revenue is recognized when received or when earned by the City. Expenditures for direct costs are recognized as incurred using the accrual method of accounting and cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations. Under those principles, certain types of expenditures are not allowable or are limited as to reimbursement.

City of Greenville, Mississippi
Schedule of Findings and Questioned Costs
For the year ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified
 Internal control over financial reporting:
 • Material weaknesses identified? x yes no
 • Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported
 Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 • Material weaknesses identified yes x no
 • Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported
 Type of auditor's report issued on compliance for major programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
20.106	Federal Aviation Administration
14.228	CDBG Project Producer's Rice
20.205	Department of Transportation (STIP)

Dollar Threshold Used to Distinguish Between Type A and Type B Program: \$300,000
 Auditee qualified as a low-risk auditee yes x no

Section II - Financial Statement Findings

This section includes audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

2008-1. Finding: Failure to appropriately amortize loan issue cost. (Repeat -2005, 2006, 2007).

Condition: The City did not amortize loan issuance costs for the year under audit.
Criteria: Accounting principles generally accepted in the United States require the amortization of loan issue cost.
Cause: The City was unaware of these requirements.
Effect: As a result, we were unable to form an opinion as to the completeness regarding expenditures in the accompanying statement of activities.
Recommendation: We recommend the City amortize loan issue costs.

2008-2. Finding: Transfers in/out and intercompany due to/from (Repeat-2005, 2006, 2007).

Condition: The City did not appropriately record intercompany transfers of equity and receivables/payables.
Criteria: Accounting principles generally accepted in the United States require the recordation of intercompany transfers and due to/from on the fund level.
Cause: The City was unaware of these requirements.
Effect: The omission of these transactions caused fund level revenues and expenses to be over/understated. On the government-wide level, these transactions are eliminated, and, therefore, there is no effect on net assets.
Recommendation: We recommend the City uses its board minutes to determine whether transactions are repayable, requiring due to/from, or a transfer of equity, requiring a transfer in/out.

City of Greenville, Mississippi
Schedule of Findings and Questioned Costs-(Continued)
For the year ended September 30, 2008

Section II - Financial Statement Findings-(Continued)

2008-3 Finding: 2007 Books Not Closed.

Condition: The 2007 revenues and expenses carried forward to 2008 revenues and expenses as beginning balances, being included in 2008 revenues and expenses. This condition was corrected prior to publishing the financial statements.

Criteria: Only assets, liabilities, and equity (net assets) are carried forward from year-to-year. At year end, the City should make all final adjustments to its books and close the books (revenue and expense accounts) so that the excess (deficiency) of revenues over expenses in each fund closes to the fund balance. At the beginning of the subsequent year all revenue and expense accounts start out with zero.

Effect: The trial balance did not balance, causing the balance sheet (Statement of Net Assets) not to balance. The City accounting software does not produce a balance sheet so the auditor is compelled to compile the financial statements. This cannot be accomplished when the trial balance does not balance as the auditor must have a balanced trial balance to compile a balance sheet. The auditor had to manually post the 2007 excess (deficiency) of revenues over expenses for each of the City's 43 funds adding unnecessary additional time and expense to the audit while working under a state/federal- imposed deadline. Additionally, the auditor has to obtain approval of the Council to perform this task as the auditor is not allowed to perform bookkeeping tasks for an audit engagement without Governance awareness and approval. The Council did agree for the auditor to perform these tasks as an emergency and one-time measure.

Recommendation: We recommend the City's Finance Department close the books annually using the City's accounting software. There is no need to wait on the Auditor's adjustments as those may be posted to the balance sheet accounts in the subsequent year.

2008-4 Finding: Fixed (capital) assets were not recorded.

Condition: Fixed assets purchased during FY 2008 were not input into the City's fixed asset (Delta) system. Therefore expenses on the Statement of Activities would be over reported and misrepresented. This condition was corrected prior to publishing the financial statements.

Criteria: The City adopted GASB-34 in 2006 and is required to record and report fixed (capital) assets as a process of its GASB-34 financial reporting. Fixed assets are not recorded on the fund level but must be reported on the Statement of Government-wide Net Assets (the balance sheet).

Effect: The financial statements are materially misrepresented when fixed assets are reported as expenses and not depreciated as required. An "adverse audit opinion" is the result of not capitalizing material capital asset purchases. Again, this condition was corrected prior to publishing the financial statements.

Recommendation: We recommend the City's Finance Department devise controls and procedures to identify and post capital assets during the purchase requisition/order and/or check writing process.

2008-5 Finding: Utility Department billing system does not maintain customer deposit balances.

Condition: The City's water department billing system does not maintain and/or track daily/monthly customer deposit transactions. It does report prior month/year deposit balances, but does not report the current months' transactions.

Criteria: The billing system should have the ability to record a customer's initial deposit, changes to that balance at any point in time and report the current status of a customer's deposit balance as these are escrow funds that the City holds in a fiduciary capacity. Customer deposits are required to be maintained in a separate bank account and such funds cannot be spent by the City.

Effect: The City is not able, at any point in time, to determine whether a particular customer's deposit balance is accurate, nor is it able to provide a compiled listing of those balances at any given time to determine its liability to water/sewer customers. The City has not maintained its water customers' deposits in a separate bank account.

Recommendation: We recommend the City commission its utility software firm to investigate and provide a patch to fix this problem. The software should be able to provide a detailed listing of each customer and their deposit balance at any given time, particularly at month end.

City of Greenville, Mississippi
Schedule of Findings and Questioned Costs-(Continued)
For the year ended September 30, 2008

2008-6 Finding: **Water billing system routinely bills numerous erroneous bills to customers.**

Condition: We sample 5% of the City's utility bills for a certain month to determine whether the billing system's internal controls were adequate to rely upon the reported sales to customers. Our sample found an abnormally high 18% error rate in billings to customers. The water meter readings are taken and submitted to the billing system electronically. In various cases, bills show residential customers water usage as much as \$5-700/month. After receiving customer's complaints, the department tells the customer to look for leaks. After hearing there are no leaks the department sends the water reader back to the customer to investigate. After the reader investigates and determines there were no leaks, the department determines that the billing system picked up erroneous balances from the prior month, and in some cases actually goes back over several years, to obtain a beginning balance causing an erroneous billing for months or years of usage.

Criteria: A billing system should be able to pick up a customer's prior month balance, subtract that number from the current month's reading and determine a usage to which it applies the rate per gallon and calculate an amount due.

Effect: The effect on the financial statement is possible inflated revenues, but normally credited after an investigation. Water customers' service may be subject to termination. The other effect is poor public perception of City services.

Recommendation: We recommend the City commission its utility software firm to investigate and provide a patch to fix this problem. The software should be able to accurately and consistently determine the correct amount of usage.

2008-7 Finding: **City Failed to Bill Grant for \$750,000.**

Condition: The City failed to bill Mississippi Development Authority's CDBG grant \$750,000 for work performed on Producers Rice's Railroad track development. (\$600,000 CDBG grant plus \$150,000 DIP Grant). The City's grant administrator has possibly inadequately monitored this grant by allowing the grant to expire without obtaining an extension which is normally easily obtained for cause. The administrator also initially failed to provide required documentation required to perform A-133 testing, but did provide those prior to publishing this report. The grant had not been billed since 2006. And the City has spent \$1,000,000 on the project. The contract extension had not been requested at the end of audit field work.

Criteria: The grant should have been billed each month as the contractor requested payment from the City. The normal routine is for the contractor to perform services and request payment. The engineer then revise or approve the payment and forward the request to the City or its contracted grant administrator, who completes the necessary forms and draws the money down from the federal LOCCS system using the computer or telephone.

Effect: Not invoicing and obtaining reimbursement for funds expended on this project was a significant part of the City borrowing \$2,000,000 during FY 2008.

Recommendation: We recommend the City requests an extension and invoice the State for grant funds expended.

Follow-Up: Since our audit exit conference with the City Council, the City requested and obtained an extension on this grant and recently obtained \$500,000 of the amount it had not previously billed. The City was told by the State that it could expect another \$150,000 shortly. It is likely that the City will receive the balance of the funding as well.

City of Greenville, Mississippi
Schedule of Findings and Questioned Costs-(Continued)
For the year ended September 30, 2008

2008-8 Finding: **Fines Receivable Not Reported and Municipal Courts administration unable to timely document Fines.**

Condition: The municipal court division was unable to provide a detailed compilation of fines owed to the City at September 30, 2008. All that was provided was a single number. To provide a listing that could document the \$2.7M that the division reports to the state as fines owed entails a division employee to pull every case file in several rows of 5 drawer file cabinets. The receivable was also not recorded on the City's books as required by Generally Accepted Accounting Principles (GAAP). They are now recorded with a substantial allowance for doubtful accounts.

Criteria: A listing detailing the individual, cause or ticket reference, date, amount owed, and or disposition of the case will document the receivable and allow audit testing.

Effect: The City cannot adequately or timely document the receivable but is required by State Law not to write them off.

Recommendation: We recommend, and the City concurred, that the City record the receivable with a significant doubtful account and begin the process of compiling a listing or commission a software company to provide a program that will compile the listing monthly, particularly at year end.

Section III - Federal Award Findings and Questioned Costs (Cont.)

NONE

City of Greenville, Mississippi
Summary Schedule of Prior Year Audit Findings
For the year ended September 30, 2008

The prior year audit report issued for the year ended September 30, 2007, includes audit findings that *Governmental Auditing Standards* requires to be reported for an audit of financial statements.

2007-1 Finding: Failure to appropriately amortize loan issue costs.

Status: Not implemented:

2007-2 Finding: Interfund receivables/payables and transfer in/out not properly recorded. (Repeated 2008, 2007, 2006, 2005).

Status: Not implemented.

**CITY OF GREENVILLE, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior report's Schedule of Findings and Questioned Costs. The summary schedule also must include finding reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the year ended September 30, 2007, included no audit finding that OMB A-133 requires to be reported for an audit of financial statements.

SUPPLEMENTAL INFORMATION

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

Honorable Mayor
Members of the City Council
City of Greenville, Mississippi

We have audited the financial statements of the City of Greenville, Mississippi as of and for the year ended September 30, 2008, and have issued our report thereon dated September 30, 2009. 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*.

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 no material instances of noncompliance with state laws and regulations. Prior year findings have been corrected.

Current year findings

None noted.

A summary of prior year finding status is as follows:

Finding: None.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendation noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action/ has been taken.

This report is intended solely for the use of the audit committee, City Council, 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.

Charles Buchanan, CPA, PC

**Jackson, Mississippi
September 30, 2009**

City of Greenville, Mississippi
Combining Balance Sheet-General Funds
For the year ended September 30, 2008

Assets	Corporation Fund	Gaming/ General Fund	Internal Service Fund	Total
Pooled cash and investments	\$ 1,803,431	\$ -	\$ -	\$ 1,803,431
Accounts receivables	114,314	30,000	16,220	160,534
Taxes receivable	565,739	-	-	565,739
Fines receivable, net of allowance	1,331,326	-	-	1,331,326
Prepaid expenses	40,291	-	-	40,291
Inventory	-	-	54,875	54,875
Due from other governments	-	-	-	-
Due from other funds	642,636	528,399	384,494	1,555,529
Restricted assets-cash	-	-	-	-
Restricted assets-investments	-	-	-	-
Total assets	<u>4,497,737</u>	<u>558,399</u>	<u>455,589</u>	<u>5,511,725</u>
 Liabilities				
Accounts payable and accrued expenses	212,097	19,347	24,059	255,503
Deferred revenue	-	-	-	-
Wages payable	-	-	29,268	29,268
Deposit	21,389	-	-	21,389
Due to other funds	240,919	15,366	-	256,285
Total liabilities	<u>474,405</u>	<u>34,713</u>	<u>53,327</u>	<u>562,445</u>
 Fund balances				
Reserved for prepaid expenses & inventory	40,291	-	54,875	95,166
Unreserved	3,983,041	523,686	347,387	4,854,114
Total fund balances	<u>4,023,332</u>	<u>523,686</u>	<u>402,262</u>	<u>4,949,280</u>
Total liabilities and fund balances	<u>\$ 4,497,737</u>	<u>\$ 558,399</u>	<u>\$ 455,589</u>	<u>\$ 5,511,725</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Funds
For the year ended September 30, 2008

Revenues	Corporation Fund	General/ Gaming Fund	Internal Service Fund	Total
Realty taxes	\$ 5,277,602	\$ -	\$ -	\$ 5,277,602
Personal property taxes	1,975,115	-	-	1,975,115
Auto taxes	1,325,949	-	-	1,325,949
Franchise taxes	1,856,288	-	-	1,856,288
Sales taxes	6,477,147	-	-	6,477,147
Gaming taxes	-	1,834,890	-	1,834,890
Gas, fuel and road taxes	19,758	-	-	19,758
Sales to customers	-	-	1,800,169	1,800,169
Fines, fees, licenses, and permits	577,639	-	-	577,639
Intergovernmental	240,857	-	-	240,857
Investment income	69,143	6,037	2,483	77,663
Leases	17,615	265,161	-	282,776
Contributions	2,811	-	-	2,811
Miscellaneous	141,557	-	-	141,557
Total revenues	17,981,481	2,106,088	1,802,652	21,890,221
Expenditures				
General government	2,300,353	-	1,826,537	4,126,890
Parks and recreations	-	-	-	-
Public safety	11,200,986	-	-	11,200,986
Public works	3,217,079	-	-	3,217,079
Culture and recreational	-	248,053	-	248,053
Airport	-	-	-	-
Health and human services	294,000	-	-	294,000
Capital outlay	170,336	-	-	170,336
Depreciation expense	-	-	-	-
<i>Debt service:</i>				
Principal	-	613,651	-	613,651
Interest and paying agent fee	-	-	-	-
Total expenditures	17,182,754	861,704	1,826,537	19,870,995
Excess of revenues over (under) expenditures	798,727	1,244,384	(23,885)	2,019,226
<i>Other financing sources (uses):</i>				
Proceeds from loan	-	-	-	-
Transfer in	1,608,647	-	-	1,608,647
Transfer out	(1,609,916)	(1,182,000)	-	(2,791,916)
Insurance proceeds	-	-	-	-
Sale of capital assets	48,446	-	1,127	49,573
Transfer to outside agency	-	-	-	-
Total other financing sources (uses)	47,177	(1,182,000)	1,127	(1,133,696)
Excess of revenues and other sources over (under) expenditures and other uses	845,904	62,384	(22,758)	885,530
Fund balances, beginning of year	1,670,591	461,302	425,020	2,556,913
Prior year adjustments & equity transfers	1,506,837	-	-	1,506,837
Fund balances, end of year	\$ 4,023,332	\$ 523,686	\$ 402,262	\$ 4,949,280

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
 Combining Balance Sheet-Nonmajor Governmental Funds
 For the year ended September 30, 2008

	Park & Recreation Fund	Airport Fund	Library Fund	Police Grant Fund	Fire Protection Fund	Police Drug Fund	Fed Equitable Sharing Fund	Debt Service Fund	City 2001 Bond Fund	Municipal Improvement Fund	Municipal Improvement Boat Ramp Fund	Public Improvement Fund	STIP Street Improvement Fund	2007 Street Bond Fund	2008 Street Bond Fund	Park Improvement Fund	Airport Improvement Fund	Total Non-Major Governmental Funds
Assets																		
Pooled cash and investments	\$ 1,040	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,186,441	\$ 1,756,414	\$ -	\$ 24,683	\$ 2,968,628
Accounts receivables	4,289	8,010	3,216	-	-	-	-	11,273	-	-	-	800,000	-	-	-	-	-	826,788
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	30,504	-	-	-	-	-	188	92,628	-	-	123,320
Inventory	8,514	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,514
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	194,834	348,309	21,880	-	258,696	-	4,057	-	7,100	5,302	-	-	9,207	-	-	-	32,290	881,675
Restricted assets-cash	-	93,152	-	-	-	-	-	-	-	-	-	-	-	50,001	-	-	-	143,153
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 208,677	\$ 449,521	\$ 25,096	\$ -	\$ 258,696	\$ -	\$ 4,057	\$ 41,777	\$ 7,100	\$ 5,302	\$ -	\$ 800,000	\$ 9,207	\$ 1,236,630	\$ 1,849,042	\$ -	\$ 56,973	\$ 4,952,079
Liabilities																		
Accounts payable and accrued expenses	3,434	11,115	-	-	-	1	-	-	-	-	-	150,842	40,900	2,551	-	80,600	194,092	483,535
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wages payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit	-	50,678	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,678
Due to others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	2,177	-	-	-	227,571	-	-	-	-	37,740	267,488
Total liabilities	3,434	61,793	-	-	-	1	-	2,177	-	-	-	378,413	40,900	2,551	-	80,600	231,832	801,701
Fund balances																		
Reserved for encumbrances	-	81,254	-	-	22,575	-	-	-	-	-	-	-	-	-	-	-	-	103,829
Reserved for prepaid expenses	-	-	-	-	-	-	-	30,504	-	-	-	-	-	-	-	-	-	30,504
Unreserved	205,243	306,474	25,096	-	236,121	(1)	4,057	9,097	7,100	5,302	-	421,587	(31,693)	1,234,079	1,849,042	(80,600)	(174,858)	4,016,046
Total fund balances	205,243	387,728	25,096	-	258,696	(1)	4,057	39,601	7,100	5,302	-	421,587	(31,693)	1,234,079	1,849,042	(80,600)	(174,858)	4,150,379
Total liabilities and fund balances	\$ 208,677	\$ 449,521	\$ 25,096	\$ -	\$ 258,696	\$ -	\$ 4,057	\$ 41,777	\$ 7,100	\$ 5,302	\$ -	\$ 800,000	\$ 9,207	\$ 1,236,630	\$ 1,849,042	\$ -	\$ 56,973	\$ 4,952,079

City of Greenville, Mississippi
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
 For the year ended September 30, 2008

	Park & Recreation Fund	Airport Fund	Library Fund	Police Grant Fund	Fire Protection Fund	Police Drug Fund	Fed Equitable Sharing Fund	Debt Service Fund	City 2001 Bond Fund	Municipal Improvement Fund	Municipal Improvement Boat Ramp Fund	Public Improvement Fund	STIP Street Improvement Fund	2007 Street Bond Fund	2008 Street Bond Fund	Park Improvement Fund	Airport Improvement Fund	Total Non-Major Governmental Funds
Revenues																		
Property taxes	\$ 226,766	\$ -	\$ 169,978	\$ -	\$ -	\$ -	\$ -	\$ 596,564	\$ -	\$ -	\$ -	\$ 18,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,037
Personal taxes	93,978	-	70,423	-	-	-	-	246,553	-	-	-	-	-	-	-	-	-	410,954
Auto taxes	58,052	-	43,628	-	-	-	-	163,181	-	-	-	-	-	-	-	-	-	264,861
Franchise taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gaming taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas, fuel and road taxes	-	-	-	-	-	-	-	-	-	-	-	1,706	-	-	-	-	-	1,706
Fines, fees, licenses, and permits	209,863	7,716	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,343	241,922
Intergovernmental	-	-	-	278,724	-	-	-	-	-	-	-	966,390	456,331	-	-	-	2,371,246	4,072,691
Investment income	1,600	7,845	-	-	2,576	61	56	1,396	-	1,231	-	2,283	346	125,708	146	1,344	2,263	146,855
Leases	15,992	676,344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	692,336
Contributions	1,408	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,500	-	7,908
Miscellaneous	636	41,935	-	-	215,626	-	-	-	-	-	-	-	-	-	-	-	-	258,197
Total revenues	608,295	733,840	284,029	278,724	218,202	61	56	1,007,694	-	1,231	-	989,108	456,677	125,708	146	7,844	2,397,852	7,109,467
Expenditures																		
General government	-	-	280,219	-	-	-	-	-	-	-	-	-	-	204,563	-	-	-	484,782
Public safety	-	-	-	146,593	2,766	40,559	-	-	-	94,791	-	-	-	-	-	-	-	284,709
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreational	462,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	605,000
Airport	-	932,049	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	932,049
Health and human services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	68,528	22,425	-	137,495	31,198	-	-	-	-	-	-	1,319,598	561,841	533,591	-	-	2,133,757	4,808,433
Debt service:																		
Principal	-	-	-	-	135,199	-	-	776,751	155,000	-	-	-	-	-	-	-	-	1,066,950
Interest and paying agent fee	-	-	-	-	-	-	-	78,349	33,692	-	-	-	-	90,267	151,104	-	-	353,412
Total expenditures	530,808	954,474	280,219	284,088	169,163	40,559	-	855,100	188,692	94,791	-	1,319,598	561,841	828,421	151,104	142,720	2,133,757	8,535,335
Excess of revenues over (under) expenditures	77,487	(220,634)	3,810	(5,364)	49,039	(40,498)	56	152,594	(188,692)	(93,560)	-	(330,490)	(105,164)	(702,713)	(150,958)	(134,876)	264,095	(1,425,868)
Other financing sources (uses):																		
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000	-	-	2,000,000
Transfer in	434,328	380,000	-	-	-	-	-	35,000	189,000	-	-	360,565	-	-	-	4,000	-	1,402,893
Transfer out	-	-	-	-	-	-	-	(189,000)	-	-	-	-	-	-	-	-	-	(189,000)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	2,407	-	-	-	-	33,176	-	-	-	-	-	-	-	-	-	-	-	35,583
Transfer to outside agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	436,735	380,000	-	-	-	33,176	-	(154,000)	189,000	-	-	360,565	-	-	2,000,000	4,000	-	3,249,476
Excess of revenues and other sources over (under) expenditures and other uses	514,222	159,366	3,810	(5,364)	49,039	(7,322)	56	(1,406)	308	(93,560)	-	30,075	(105,164)	(702,713)	1,849,042	(130,876)	264,095	1,823,608
Fund balances, beginning of year	(308,979)	228,362	21,286	5,364	209,657	7,321	4,001	41,007	6,792	98,862	-	391,512	73,471	1,936,792	-	50,276	(438,953)	2,326,771
Fund balances, end of year	\$ 205,243	\$ 387,728	\$ 25,096	\$ -	\$ 258,696	\$ (1)	\$ 4,057	\$ 39,601	\$ 7,100	\$ 5,302	\$ -	\$ 421,587	\$ (31,693)	\$ 1,234,079	\$ 1,849,042	\$ (80,600)	\$ (174,858)	\$ 4,150,379

City of Greenville, Mississippi
Combining Statement of Net Assets - Major Proprietary Funds
For the year ended September 30, 2008

	Water, Sewer	Water, Sewer	State Sewer	Greenpoint	HUD Sect 108	Total	Internal
	Utility	Capital Impr.	Loan	Impr.	Oper.		Service Fund Public Works Compound
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, less allowances	80,138	-	-	-	-	80,138	16,220
Inventories	-	-	-	-	-	-	54,875
Interest receivable	-	-	-	-	-	-	-
Due from other funds	394,552	-	-	-	-	394,552	384,494
Total current assets	474,690	-	-	-	-	474,690	455,589
Capital assets:							
Land	-	-	-	-	-	-	-
Buildings and improvements	-	-	-	9,000,000	-	9,000,000	1,914,000
Improvements other than buildings	12,600	-	-	-	-	12,600	-
Furniture, fixture, and equipment	39,447	-	-	-	-	39,447	-
Machinery and equipment	848,519	-	-	-	-	848,519	2,097,099
Infrastructure	134,563,813	47,000	-	-	-	134,610,813	-
Leased equipment	-	-	-	-	-	-	93,773
Construction in progress	-	-	-	-	-	-	-
Total capital assets	135,464,379	47,000	-	9,000,000	-	144,511,379	4,104,872
Less: accumulated depreciation	(109,803,586)	(3,102)	-	(7,200,000)	-	(117,006,688)	(1,948,081)
Capital assets, net	25,660,793	43,898	-	1,800,000	-	27,504,691	2,156,791
Other assets:							
Loan origination fees/bond issuance cost (net of amortization)	83,270	-	279,270	-	-	362,540	-
Total assets	26,218,751	43,898	279,270	1,800,000	-	28,341,919	2,612,380
Liabilities							
Current liabilities							
Accounts/claims payable	163,886	49,927	-	-	-	213,813	24,059
Encumbrance	-	-	-	-	-	-	-
Wages payable	371,725	-	-	-	-	371,725	29,268
Due to other funds	600,000	70,416	-	-	-	670,416	-
Current portion of long-term debt							
Accrued compensated absences	-	-	-	-	-	-	-
Lease obligations	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-
Total current liabilities	1,135,611	120,343	-	-	-	1,255,954	53,327
Current liabilities payable from restricted assets							
Customer deposits	327,401	-	-	-	-	327,401	-
Accrued interest payable	-	-	-	-	-	-	-
Current portion of revenue bonds	752,258	-	-	-	-	752,258	-
Total current liabilities payable from restricted assets	1,079,659	-	-	-	-	1,079,659	-
Long-term debt (less amounts classified as current liabilities)							
Revenue bonds (net of unamortized discount/premium)							
Accrued compensated absences	-	-	-	-	-	-	-
Lease obligations	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-
Notes payable	7,119,541	-	-	-	-	7,119,541	-
Total long-term debt	7,119,541	-	-	-	-	7,119,541	-
Total liabilities	9,334,811	120,343	-	-	-	9,455,154	53,327
Net assets							
Invested in capital assets, net of related debt	-	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-
Unrestricted	16,883,940	(76,444)	279,270	1,800,000	-	18,886,766	2,559,053
Total net assets	16,883,940	(76,444)	279,270	1,800,000	-	18,886,766	2,559,053
Total liabilities/net assets	\$ 26,218,751	\$ 43,898	\$ 279,270	\$ 1,800,000	\$ -	\$ 28,341,919	\$ 2,612,380

City of Greenville, Mississippi
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Major Proprietary Funds
For the year ended September 30, 2008

	Water/Sewer Utility	Water/Sewer Capital Improvement	State Sewer Loan	Greenpointe Improvement	Total	Internal Service Fund Public Works Compound
Operating revenues						
Sales to customers	\$ 5,689,943	\$ -	\$ -	\$ -	\$ 5,689,943	\$ 1,800,169
Other revenues	81,763	-	-	-	81,763	-
Total operating revenues	<u>5,771,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,771,706</u>	<u>1,800,169</u>
Operating expenses						
Personnel services	2,126,537	6,050	-	-	2,132,587	448,151
Supplies	505,407	-	-	-	505,407	1,206,977
Other services and charges	6,584,401	81,253	-	-	6,665,654	171,409
Depreciation expense	4,417,108	1,551	-	-	4,418,659	198,529
Total operating expenses	<u>13,633,453</u>	<u>88,854</u>	<u>-</u>	<u>-</u>	<u>13,722,307</u>	<u>2,025,066</u>
Operating income (loss)	<u>(7,861,747)</u>	<u>(88,854)</u>	<u>-</u>	<u>-</u>	<u>(7,950,601)</u>	<u>(224,897)</u>
<i>Non-operating revenues (expenses):</i>						
Interest revenue	2,841	-	-	-	2,841	2,483
Interest and service charges	(345,095)	-	-	-	(345,095)	-
Gain (loss) on sale of fixed assets	4,525	-	-	-	4,525	1,127
CDBG - operating grants	-	-	-	-	-	-
Miscellaneous - operating grants	-	-	-	-	-	-
Total non-operating revenues (expenses)	<u>(337,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337,729)</u>	<u>3,610</u>
Income (loss) before contributions and transfers	<u>(8,199,476)</u>	<u>(88,854)</u>	<u>-</u>	<u>-</u>	<u>(8,288,330)</u>	<u>(221,287)</u>
Other financing sources (uses)						
Transfers in	5,477,825	1,122,422	7,927,661	-	14,527,908	-
Bad debt	(530,243)	-	-	-	(530,243)	-
Transfers out	(14,365,757)	(376,392)	(326,791)	-	(15,068,940)	-
Total transfers in (out)	<u>(9,418,175)</u>	<u>746,030</u>	<u>7,600,870</u>	<u>-</u>	<u>(1,071,275)</u>	<u>-</u>
Change in net assets	<u>(17,617,651)</u>	<u>657,176</u>	<u>7,600,870</u>	<u>-</u>	<u>(9,359,605)</u>	<u>(221,287)</u>
Total net assets - beginning	<u>34,501,591</u>	<u>(733,620)</u>	<u>(7,321,600)</u>	<u>1,800,000</u>	<u>28,246,371</u>	<u>425,020</u>
Prior period adjustments	-	-	-	-	-	2,355,320
Total net assets - ending	<u>\$ 16,883,940</u>	<u>\$ (76,444)</u>	<u>\$ 279,270</u>	<u>\$ 1,800,000</u>	<u>\$ 18,886,766</u>	<u>\$ 2,559,053</u>

See independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Combining Statement of Net Assets - Non-Major Proprietary Funds
For the year ended September 30, 2008

Assets	UDAG MS Marine	Housing Grant	Sanitation Fund	Total
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable, less allowances	-	-	200,043	200,043
Prepaid expenses	-	-	-	-
Due from other funds	-	2,621	565,436	568,057
Interest receivable	-	-	-	-
Total current assets	<u>-</u>	<u>2,621</u>	<u>765,479</u>	<u>768,100</u>
Deferred charges - bond costs				
Capital assets				
Land			2,512,541	2,512,541
Buildings and improvements	-	-	25,760,000	25,760,000
Machinery and equipment	-	-	9,272,020	9,272,020
Vehicles	-	-	-	-
Infrastructure			210,678,675	210,678,675
Total capital assets	<u>-</u>	<u>-</u>	<u>248,223,236</u>	<u>248,223,236</u>
Less: accumulated depreciation			(211,314,245)	(211,314,245)
Total capital assets, net	<u>-</u>	<u>-</u>	<u>36,908,991</u>	<u>36,908,991</u>
Other assets				
Loan origination fees/bond issuance cost (net of amortization)	-	-	-	-
Total assets	<u><u>-</u></u>	<u><u>2,621</u></u>	<u><u>37,674,470</u></u>	<u><u>37,677,091</u></u>
Liabilities				
Current liabilities:				
Accounts/claims payable	-	-	831,490	831,490
Wages payable	-	-	-	-
Due to other funds	-	-	-	-
Current portion of long-term debt	-	-	-	-
Accrued compensated absences	-	-	-	-
Lease obligations	-	-	36,713	36,713
General obligation bonds	-	-	-	-
Notes payable	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>868,203</u>	<u>868,203</u>
Current liabilities payable from restricted assets				
Accrued interest payable	-	-	-	-
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt (less amounts classified as current liabilities)				
Accrued compensated absences	-	-	-	-
Notes payable	-	-	-	-
Leases payable			77,203	77,203
Total long-term debt	<u>-</u>	<u>-</u>	<u>77,203</u>	<u>77,203</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>945,406</u>	<u>945,406</u>
Net assets				
Invested in capital assets, net of related debt	-	-	36,872,278	36,872,278
Restricted for debt service	-	-	-	-
Unrestricted	-	2,621	(143,214)	(140,593)
Total net assets	<u>-</u>	<u>2,621</u>	<u>36,729,064</u>	<u>36,731,685</u>
Total liabilities and net assets	<u><u>\$ -</u></u>	<u><u>\$ 2,621</u></u>	<u><u>\$ 37,674,470</u></u>	<u><u>\$ 37,677,091</u></u>

See independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Non-Major Proprietary Funds
For the year ended September 30, 2008

	UDAG MS Marine	Housing Grant	Sanitation Fund	Total
Operating revenues				
Sales to customers	\$ -	\$ -	\$ 1,819,869	\$ 1,819,869
Other revenues	292	1,413	771,747	773,452
Total operating revenues	<u>292</u>	<u>1,413</u>	<u>2,591,616</u>	<u>2,593,321</u>
Operating expenses				
Personnel services	-	-	380,125	380,125
Supplies	969	-	50,505	51,474
Other services and charges	-	3,460	4,180,609	4,184,069
Depreciation expense	-	-	4,907,623	4,907,623
Total operating expenses	<u>969</u>	<u>3,460</u>	<u>9,518,862</u>	<u>9,523,291</u>
Operating income (loss)	<u>(677)</u>	<u>(2,047)</u>	<u>(6,927,246)</u>	<u>(6,929,970)</u>
Non-operating revenues (expenses)				
Interest revenue	-	2,603	47	2,650
Interest and service charges	-	-	(9,738)	(9,738)
Gain (loss) on sale of fixed assets	-	-	800	800
CDBG - operating grants	-	-	-	-
Miscellaneous	-	(3,419)	-	(3,419)
Total non-operating revenues (expenses)	<u>-</u>	<u>(816)</u>	<u>(8,891)</u>	<u>(9,707)</u>
Income (loss) before contributions and transfers	<u>(677)</u>	<u>(2,863)</u>	<u>(6,936,137)</u>	<u>(6,939,677)</u>
Transfers in	-	-	541,032	541,032
Bad debt	-	-	-	-
Transfers out	-	-	-	-
Total transfers in (out)	<u>-</u>	<u>-</u>	<u>541,032</u>	<u>541,032</u>
Change in net assets	<u>(677)</u>	<u>(2,863)</u>	<u>(6,395,105)</u>	<u>(6,398,645)</u>
Total net assets - beginning	677	5,484	45,636,710	45,642,871
Prior period adjustments	-	-	(2,512,541)	(2,512,541)
Total net assets - ending	<u>\$ -</u>	<u>\$ 2,621</u>	<u>\$ 36,729,064</u>	<u>\$ 36,731,685</u>

See independent auditor's report and notes to the financial statements.

City of Greenville, Mississippi
Combining Statement of Fiduciary Assets and Liabilities
For the year ended September 30, 2008

	604	600	602	601	603		Statement of
	Unemployment	Fire & Police	Payroll	Separate School	State Fine		Fiduciary Net
Assets	Tax Reserve	Pension Trust	Withholding	District Agency	Assessment	Subtotal	Assets
	Agency	Fund	Agency	Agency	Agency		
Cash	\$ -	\$ -	\$ 4,692	\$ -	\$ -	\$ 4,692	\$ 4,692
Restricted cash	-	-	-	-	-	-	-
Accounts receivables	-	-	-	-	-	-	-
Tax receivables	-	-	-	-	-	-	-
Due from others	-	-	-	39,070	-	39,070	39,070
Due from other funds	88,814	14,364	373,366	-	41,834	518,378	518,378
Total assets	88,814	14,364	378,058	39,070	41,834	562,140	562,140
Liabilities							
Bank overdraft	-	-	-	-	-	-	-
Claims payable	-	352	-	-	24,565	24,917	24,917
Reserved for unemployment claims	88,814	(10,697)	378,053	-	-	456,170	456,170
Due to others	-	24,709	-	39,070	17,269	81,048	81,048
Due to other funds	-	-	5	-	-	5	5
Deferred credits	-	-	-	-	-	-	-
Total liabilities	\$ 88,814	\$ 14,364	\$ 378,058	\$ 39,070	\$ 41,834	\$ 562,140	\$ 562,140

See Independent Auditor's Report and Notes to the Financial Statements.

City of Greenville, Mississippi
Schedule of Surety Bonds
September 30, 2008

Name	Position	Surety Company	Expiration Date	Bond Amount
Heather M. Hudson	Mayor	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Kenneth Gines	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Carl McGee	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Lee Owen	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Betty Watkins	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Ann Hollowell	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Erick Simmons	Council Member	USF&G/Travelers Casualty	01/01/09	\$ 100,000
Amelia D. Wicks	City Clerk	USF&G/Travelers Casualty	01/01/09	\$ 50,000
Steve Osso	External Financial Ofc.	USF&G/Travelers Casualty	01/01/09	\$ 50,000
Lisa Cain	Accounting Clerk	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Janice Caswell	Accounting Clerk	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Maple Smith	Legal Secretary	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Celestine Humes	Accounting Clerk	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Cassandra Richmond	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Lorenzo Anderson	Interim Engineer	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Pam Richards	Utility Manager	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Kristen Robertson	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Gwanda Suber	Municipal Clerk	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Cynthia Stevens	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
April Brownlee	Clerk II	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Lenora Morey	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Priscilla Bush	Clerk II	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Lester Carter	Police Chief	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Danny Suber	Asst. Police Chief	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Freddie Cannon	Asst. Police Chief	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Nakia Williams	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Mary Ann Taylor	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Asley D. Smith	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Edna Turner	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Dycia Ayers	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Rochita Smith	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Rosa F. Matthews	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Kenyotta Lee	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Bobbie Stribling	Clerk III	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Cathy Drayton	Police Records Mgr.	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Lane Rodgers	Airport Director	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Dionica Harris	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Yvette Yeager	Parks Director	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Bryant Cox	Golf Course Manager	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Teresa Elliott	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Melva Carpenter	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Milton Davenport	Fleet Vehicle Manager	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Peggy Fioranelli	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Brad Jones	Public Works Director	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Bridgett Winters	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Teresa Kingdom	Human Resources Dir.	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Tawanna Haynes	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Lee Gordon	Fire Chief	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Karen Manning	Adm. Assistant	USF&G/Travelers Casualty	Indefinite	\$ 25,000
Carlton Williams	Planning/Zoning Dir.	USF&G/Travelers Casualty	Indefinite	\$ 50,000
Shirley Redmond	Clerk II	USF&G/Travelers Casualty	Indefinite	\$ 25,000