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**CITY OF EUPORA, MISSISSIPPI  
EUPORA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2010**



CITY OF EUPORA, MISSISSIPPI  
Audited Financial Statements and Additional Information  
September 30, 2010

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CITY OF EUPORA, MISSISSIPPI  
Audited Financial Statements and Additional Information  
September 30, 2010

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**WATKINS, WARD AND STAFFORD**  
**Professional Limited Liability Company**  
**Certified Public Accountants**

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA

**Independent Auditors' Report**

Honorable Mayor and Board of Aldermen  
City of Eupora  
Eupora, 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 Eupora, Mississippi, as of and for the year ended September 30, 2010, 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 Eupora, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Eupora, Mississippi, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 01, 2011, on our consideration of the City of Eupora, Mississippi'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 this 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 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.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Eupora, Mississippi's, financial statements as a whole. The comparative financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative financial statements and the schedule of long-term debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eupora, Mississippi  
July 01, 2011

*Watkins, Ward and Stafford, PLLC*

BASIC FINANCIAL STATEMENTS

CITY OF EUPORA, MISSISSIPPI  
Statement of Net Assets  
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 136,697	122,993	\$ 259,690
Certificates of deposit	423,215	116,170	539,385
Cash bond funds held by USDA	244,999	29,474	274,473
Accounts receivable	25,107	93,205	118,312
Accrued interest receivable	231	30	261
Fines receivable, net	26,136	-	26,136
Interfund receivable	-	102,604	102,604
Intergovernmental receivable	66,432	-	66,432
Property tax receivable	298,991	-	298,991
Total Current Assets	<u>1,221,808</u>	<u>464,476</u>	<u>1,686,284</u>
<b>Noncurrent Assets:</b>			
Capital assets, net of accumulated depreciation	3,411,196	4,376,920	7,788,116
Assessments receivable	-	105,037	105,037
Bond issue costs	-	10,696	10,696
Deposits	-	463	463
Total Noncurrent Assets	<u>3,411,196</u>	<u>4,493,116</u>	<u>7,904,312</u>
<b>TOTAL ASSETS</b>	<u>4,633,004</u>	<u>4,957,592</u>	<u>9,590,596</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	79,151	-	79,151
Accrued interest payable	488	27,016	27,504
Accrued liabilities	36,595	14,072	50,667
Deferred revenue	296,212	-	296,212
Interfund payable	102,604	-	102,604
Intergovernmental payable	2,255	-	2,255
Customer deposits	-	79,194	79,194
Current portion of long term debt	22,598	32,503	55,101
Total Current Liabilities	<u>539,903</u>	<u>152,785</u>	<u>692,688</u>
<b>Long-Term Liabilities:</b>			
Bonds payable	265,441	1,061,855	1,327,296
Notes payable	2,723	-	2,723
Total Long-Term Liabilities	<u>268,164</u>	<u>1,061,855</u>	<u>1,330,019</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 808,067</u>	<u>1,214,640</u>	<u>\$ 2,022,707</u>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Net Assets (Continued)  
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	\$ 3,120,434	3,282,563	\$ 6,402,997
Contributed capital	-	4,783,783	4,783,783
Restricted for capital improvements	244,999	29,474	274,473
Retained deficit - Unrestricted	-	( 4,352,868)	( 4,352,868)
Unrestricted	459,504	-	459,504
<b>TOTAL NET ASSETS</b>	<b>\$ 3,824,937</b>	<b>3,742,952</b>	<b>\$ 7,567,889</b>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 250,796	44,494	1,207	-	( 205,095)	-	\$ ( 205,095)
Public safety	406,186	-	17,154	11,930	( 377,102)	-	( 377,102)
Public works	541,289	148,662	55,404	9,469	( 327,754)	-	( 327,754)
Culture and recreation	100,352	35,777	-	1,254	( 63,321)	-	( 63,321)
Economic development	15,750	-	-	-	( 15,750)	-	( 15,750)
Interest on long term debt	1,811	-	-	-	( 1,811)	-	( 1,811)
Total Governmental Activities	<u>1,316,184</u>	<u>228,933</u>	<u>73,765</u>	<u>22,653</u>	<u>( 990,833)</u>	<u>-</u>	<u>( 990,833)</u>
Business-type activities:							
Water and Sewer	<u>843,374</u>	<u>679,023</u>	<u>-</u>	<u>146,694</u>	<u>-</u>	<u>( 17,657)</u>	<u>( 17,657)</u>
Total Primary Government	<u>\$ 2,159,558</u>	<u>907,956</u>	<u>73,765</u>	<u>169,347</u>	<u>( 990,833)</u>	<u>( 17,657)</u>	<u>\$ ( 1,008,490)</u>
General Revenues:							
Taxes							
Property taxes					\$ 330,413	-	\$ 330,413
Sales and use taxes					414,396	-	414,396
Franchise taxes					89,461	-	89,461
Other taxes					6,540	-	6,540
Unrestricted donations					5,641	-	5,641
Unrestricted investment income					3,429	8,470	11,899
Miscellaneous					18,397	28,871	47,268
Total General Revenues					<u>868,277</u>	<u>37,341</u>	<u>905,618</u>
Changes in Net Assets					( 122,556)	19,684	( 102,872)
<b>Net Assets, September 30, 2009</b>					<u>3,947,493</u>	<u>3,723,268</u>	<u>7,670,761</u>
<b>Net Assets, September 30, 2010</b>					<u>\$ 3,824,937</u>	<u>3,742,952</u>	<u>\$ 7,567,889</u>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
 Balance Sheet  
 Governmental Fund  
 September 30, 2010

	General Fund
<b>Assets:</b>	
Cash	\$ 136,697
Certificates of deposit	423,215
Cash bond funds held by USDA	244,999
Accounts receivable	25,107
Accrued interest receivable	231
Intergovernmental receivable	66,432
Property tax receivable	2,779
<b>Total Assets</b>	<b>899,460</b>
 <b>Liabilities and Fund Balance:</b>	
Liabilities:	
Accounts payable	79,151
Accrued liabilities	36,595
Interfund payable	102,604
Intergovernmental payables	2,255
Total Liabilities	220,605
 Fund Balance:	
Restricted for capital improvements	244,999
Unrestricted	433,856
Total Fund Balance	678,855
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 899,460</b>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
 Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets  
 September 30, 2010

Fund Balance - Governmental Fund \$ 678,855

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

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

Governmental capital assets	\$ 4,923,978	
Less accumulated depreciation	<u>( 1,512,782)</u>	3,411,196

Long-term liabilities are not due and payable in the current year and therefore  
 are not reported in the governmental funds:

Long-term liabilities	\$ ( 290,762)	
Accrued interest on long-term debt	<u>( 488)</u>	( 291,250)

Fines receivable used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>26,136</u>
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Net Assets of Governmental Activities	<u>\$ 3,824,937</u>
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See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended September 30, 2010

	General Fund
<b>Revenues:</b>	
Property taxes	\$ 327,420
Penalties and interest	2,993
Licenses and permits	94,697
Intergovernmental revenues	494,702
Charges for Governmental Services:	
Garbage collection	148,662
Recreational fees	40,397
Fines and forfeitures	37,545
Donations	9,171
Grants	19,123
Interest income	3,429
Rent income	8,494
Miscellaneous	4,680
Total Revenues	1,191,313
<b>Expenditures:</b>	
General government	176,669
Public Safety:	
Police	391,693
Fire	34,950
Public Works:	
Public property	138,805
Streets and sanitation	338,294
Culture and recreation	89,203
Economic development	15,750
Total Expenditures	1,185,364
Excess of Revenues Over Expenditures	5,949
<b>Other Financing Sources</b>	
Proceeds from issuance of debt	281,385
Proceeds from sale of capital assets	2,500
Total Other Financing Sources and Uses	283,885
<b>Net Change in Fund Balance</b>	289,834
<b>Fund Balance, September 30, 2009</b>	389,021
<b>Fund Balance, September 30, 2010</b>	\$ 678,855

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of  
 Governmental Fund to the Statement of Activities  
 For the Year Ended September 30, 2010

Net Change in Fund Balance - Governmental Fund \$ 289,834

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

Governmental funds report capital outlays as expenditures. However, in the  
 Statement of Activities, the cost of these assets is allocated over their estimated  
 useful lives and reported as depreciation expense. Thus, the change in net assets  
 differs from the change in fund balance by the amount that capital outlays of  
 \$ 33,471 differs from current year depreciation of \$ 180,152. ( 146,681)

In the statement of activities, only gains and losses from the sale of capital assets  
 are reported, whereas in the governmental fund, proceeds from the sale of capital  
 assets increase financial resources. Thus, the change in net assets differs from  
 the change in fund balance by the amount of proceeds from the sale of capital  
 assets of \$ 2,500 exceeds the gain recognized of \$ 601. ( 1,899)

Fine revenue recognized on the modified accrual basis in the funds during the  
 current year is reduced because prior year recognition would have been  
 required on the Statement of Activities using the full-accrual basis of accounting ( 858)

Debt proceeds provide current financial resources to governmental funds, but  
 issuing debt increases long-term liabilities in the Statement of Net Assets.  
 Repayment of debt principal is an expenditure in the governmental funds, but  
 the repayment reduces long-term liabilities in the Statement of Net Assets. Thus,  
 the change in net assets differs from the change in fund balance by the amount  
 that debt proceeds of \$281,385 exceeds debt payments of \$18,874. ( 262,511)

Under the modified accrual basis of accounting, interest on long-term debt is  
 recognized when due, rather than as it accrues. Thus, the change in net assets  
 differs from the change in fund balance by the change in accrued interest  
 payable. ( 441)

Change in Net Assets of Governmental Activities \$ ( 122,556)

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2010

**ASSETS**

**Current Assets:**

Cash	\$ 122,993
Certificates of deposit	116,170
Cash bond funds held by USDA	29,474
Accounts receivable, net	93,205
Accrued interest receivable	30
Interfund receivable	<u>102,604</u>
Total Current Assets	<u>464,476</u>

**Noncurrent Assets:**

Capital assets, net of accumulated depreciation	4,376,920
Bond issue costs	10,696
Deposits	463
Assessments receivable	<u>105,037</u>
Total Noncurrent Assets	<u>4,493,116</u>

**TOTAL ASSETS**

4,957,592

**LIABILITIES**

**Current Liabilities:**

Accrued interest payable	27,016
Accrued liabilities	14,072
Customer deposits	79,194
Current portion of long term debt	<u>32,503</u>
Total Current Liabilities	152,785

**Long-Term Liabilities:**

Bonds payable	<u>1,061,855</u>
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**TOTAL LIABILITIES**

1,214,640

**NET ASSETS**

Invested in capital assets, net of related debt	3,282,563
Contributed capital	4,783,783
Restricted for capital improvements	29,474
Retained deficit - Unrestricted	<u>( 4,352,868)</u>

**TOTAL NET ASSETS**

\$ 3,742,952

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2010

<b>Operating Revenue:</b>	
Charges for services	\$ 679,023
Penalties	28,871
Total Operating Revenue	<u>707,894</u>
 <b>Operating Expenses:</b>	
Salaries and employee benefits	227,880
Materials and supplies	80,096
Utilities	84,818
Maintenance	80,015
Contractual services	62,971
Insurance	9,994
Sales tax	4,656
Miscellaneous	5,749
Depreciation and bond cost amortization	213,629
Total Operating Expenses	<u>769,808</u>
Operating Loss	<u>( 61,914)</u>
 <b>Nonoperating Revenue (Expenses):</b>	
Interest income	8,470
Interest expense	<u>( 73,566)</u>
Total Nonoperating Revenue (Expenses)	<u>( 65,096)</u>
Loss Before Capital Grants	<u>( 127,010)</u>
 <b>Capital Grants:</b>	
Capital grants	<u>146,694</u>
Change in Net Assets	19,684
Total Net Assets, September 30, 2009	<u>3,723,268</u>
Total Net Assets, September 30, 2010	<u>\$ 3,742,952</u>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2010

<b>Cash Flows From Operating Activities:</b>	
Cash received from customers	\$ 703,678
Cash paid to employees and for benefits	( 227,595)
Cash paid to suppliers	<u>( 329,358)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>146,725</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Interfund transfers	<u>5,886</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>5,886</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	( 20,994)
Principal payments on bonds payable	( 58,101)
Principal payments on notes payable	( 3,175)
Interest paid on long-term debt	<u>( 57,828)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>( 140,098)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest received	<u>8,471</u>
<b>Net Increase in Cash and Cash Equivalents</b>	20,984
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>218,179</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 239,163</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:</b>	
Operating Loss	\$ ( 61,914)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided By Operating Activities:	
Depreciation and Amortization	213,629
Changes in:	
Accounts receivable	( 5,448)
Accounts payable, accrued expenses, and other accrued expenses	<u>458</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 146,725</u></u>

See accompanying notes to financial statements.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2010

**Note 1: Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements of the City of Eupora have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

**B. The Financial Reporting Entity**

The City of Eupora, Mississippi, operates under a Mayor-Board of Aldermen form of government and provides services authorized by its charter. The City was formed in 1889 and now operates under a special charter issued by the State Legislature in 1893.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no includable or excludable potential component units.

**C. Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, sanitation services and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Basic Financial Statements – Government-Wide Statements (Continued)**

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - contributed capital; retained deficit-unrestricted; and unreserved. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, etc.). The functions are also supported by the general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, etc.) or a business-type activity. Operating grants include operating-specific discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.).

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

As a general rule, the effect of the Interfund activity has been eliminated from the government-wide financial statements.

**D. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenses. The various funds are reported by generic classification within the financial statements.

**Governmental Funds**

**GENERAL FUND** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Basic Financial Statements – Fund Financial Statements (Continued)**

**Proprietary 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 costs are providing goods and services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Proprietary Fund is the Water and Sewer Department Fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

ACCRUAL – Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MODIFIED ACCRUAL – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**F. Budgets and Budgetary Accounting**

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

1. Prior to September 15, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary Funds.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Budgets and Budgetary Accounting (Continued)**

2. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then the budget is approved prior to September 30.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for both the General and Proprietary Fund.
6. Appropriations lapse at the end of each fiscal year.

**G. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

**H. Cash and Other Deposits (and Cash Equivalents)**

The City deposits excess funds in the financial institutions selected by the Board of Aldermen in accordance with state statutes.

Cash consists of amounts on deposit in demand accounts, savings accounts, and certificates of deposit.

**I. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**J. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Infrastructure is reported prospectively as of September 30, 2004 as allowed by Governmental Accounting Standards Board statement #34. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 50 years
Water and sewer equipment	30 – 50 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	10 – 50 years

**K. Use of Estimates**

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

**L. Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

**M. Fund Reserves**

RESERVED FOR DEBT SERVICE - Reserved for debt service is an account that represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

**N. Restricted and Unrestricted Resources**

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

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 2: Property Tax**

Property taxes attach as an enforcement lien on property as of January 1. Taxes are levied in September of the prior year and are payable on or before January 31. Taxes are considered past due after February 1, at which time the applicable property is subject to penalties and interest. Property with delinquent assessments is sold at a public sale each August. The City bills and collects its own property taxes.

**Note 3: Cash and Other Deposits**

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

**Note 4: Cash Bond Funds Held by USDA**

The City of Eupora issued \$476,000 of water and sewer revenue bonds on October 15, 2008 and \$273,400 of general obligation street bonds on September 15, 2010. As of September 30, 2010, \$274,473 has not been drawn. Of these funds, \$29,474 is restricted for capital improvements to the water and sewer system; and \$244,999 is restricted for capital improvements to the streets.

**Note 5: Interfund Receivables/Payables**

Individual fund interfund receivable and payable balances at September 30, 2010 were:

	Receivables	Payables
General Fund	\$ -	\$ 102,604
Water and Sewer Fund	102,604	-
	\$ 102,604	\$ 102,604

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 6: Capital Assets**

**General Fund:**

Capital asset additions, retirements and balances for the General Fund, for the year ended September 30, 2010 were as follows:

	<u>Balance</u> 1/0/1900	<u>Additions</u>	<u>Reclass and</u> <u>Retirements</u>	<u>Balance</u> 1/0/1900
Land	\$ 535,005	-	-	535,005
Buildings	2,004,370	5,980	-	2,010,350
Equipment	889,577	27,491	( 18,987)	898,081
Infrastructure	1,480,542	-	-	1,480,542
Construction in progress	-	-	-	-
Less:				
Accumulated Depreciation	<u>( 1,349,718)</u>	<u>( 180,152)</u>	<u>17,088</u>	<u>( 1,512,782)</u>
	<u>\$ 3,559,776</u>	<u>( 146,681)</u>	<u>( 1,899)</u>	<u>\$ 3,411,196</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 60,362
Public safety - Police	16,542
Public safety - Fire	622
Public works - Public property	59,635
Public works - Street	30,580
Culture and recreation	<u>12,411</u>
Total	<u>\$ 180,152</u>

**Proprietary Fund:**

Capital asset additions, retirements and balances for the Proprietary Fund, for the year ended September 30, 2010 were as follows:

	<u>Balance</u> 9/30/2009	<u>Additions</u>	<u>Reclass and</u> <u>Retirements</u>	<u>Balance</u> 9/30/2010
Land	\$ 106,399	-	-	\$ 106,399
Machinery and equipment	8,356,327	2,980	-	8,359,307
Construction in progress	703,428	169,702	-	873,130
Less:				
Accumulated depreciation	<u>( 4,748,838)</u>	<u>( 213,078)</u>	<u>-</u>	<u>( 4,961,916)</u>
	<u>\$ 4,417,316</u>	<u>( 40,396)</u>	<u>-</u>	<u>\$ 4,376,920</u>

Depreciation expense for the current fiscal year using the straight-line method totaled \$213,078.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 7: Bonds Payable**

**General Fund:**

The following is a summary of bond payable transactions of the General Fund for the year ended September 30, 2010.

	Balance 9/30/2009	Issued or Assumed	Retired	Balance 9/30/2010
USDA G.O. Street Bond	\$ -	274,300	-	\$ 274,300

The repayment terms are as follows:

	Interest Rate	Payment	Final Maturity
USDA G.O. Street Bond	4%	Varied annual amounts	2030

Future maturities of General Fund bonds payable are as follows:

Year Ending September 30,

█	2011	8,859
█	2012	9,247
█	2013	9,651
█	2014	10,074
█	2015	10,514
	Thereafter	225,955
	Total	\$ 274,300

**Proprietary Fund:**

The following is a summary of bond payable transactions of the Proprietary Fund for the year ended September 30, 2010.

	Balance 9/30/2009	Issued or Assumed	Retired	Balance 9/30/2010
FmHA Revenue Bond #9301	\$ 27,000	-	( 27,000)	\$ -
FmHA Revenue Bond #9202	70,575	-	( 11,174)	59,401
FmHA Revenue Bond #9104	193,437	-	( 6,805)	186,632
FmHA Revenue Bond #9108	3,297	-	( 445)	2,852
FmHA Revenue Bond #9106	186,172	-	( 5,763)	180,409
FmHA Revenue Bond #9205	195,978	-	( 6,914)	189,064
2008 W&S Revenue Bond	476,000	-	-	476,000
	\$ 1,152,459	-	( 58,101)	\$ 1,094,358

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 7: Bonds Payable (Continued)**

**Proprietary Fund (Continued):**

The repayment terms are as follows:

	Interest Rate	Payment	Final Maturity
FmHA Revenue Bond #9301	5%	Varied annual amounts	2010
FmHA Revenue Bond #9202	5%	\$1,204 per month	2016
FmHA Revenue Bond #9104	5.125%	\$1,380 per month	2029
FmHA Revenue Bond #9108	5%	\$ 50 per month	2016
FmHA Revenue Bond #9106	5%	\$1,245 per month	2031
FmHA Revenue Bond #9205	5%	\$1,373 per month	2030
2008 W&S Revenue Bond	4.125%	\$26,661 per year	2043

Future maturities of bonds payable are as follows:

<u>Year Ending September 30,</u>	
2011	32,503
2012	41,198
2013	43,246
2014	45,397
2015	42,099
Thereafter	889,915
Total	<u>\$ 1,094,358</u>

**Note 8: Notes Payable**

**General Fund:**

The following is a summary of notes payable transactions of the General Fund for the year ended September 30, 2010:

	Balance 9/30/2009	Issued	Retired	Balance 9/30/2010
Regions Bank - Police cars	\$ 12,273	-	( 7,192)	5,081
Regions Bank - Tractor/cutter	14,449	-	( 8,140)	6,309
Regions Bank - Mower	1,529	-	( 1,529)	-
Regions Bank - Mower	-	7,085	( 2,013)	5,072
Total	<u>\$ 28,251</u>	<u>7,085</u>	<u>( 18,874)</u>	<u>\$ 16,462</u>

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 8: Notes Payable (Continued)**

**General Fund (Continued):**

The repayment terms are as follows:

	Interest Rate	Payment	Final Maturity
Regions Bank - Police cars	4.39%	\$633 per month	2011
Regions Bank - Tractor/cutter	4.98%	\$723 per month	2011
Regions Bank - Mower	6.75%	\$218 per month	2013

Future maturities are as follows:

<u>Year Ending September 30,</u>	
2011	13,739
2012	2,513
2013	210
Total	<u>\$ 16,462</u>

**Proprietary Fund:**

The following is a summary of notes payable transactions of the Proprietary Fund for the year ended September 30, 2010:

	Balance 9/30/2009	Issued	Retired	Balance 9/30/2010
Regions Bank - Truck	\$ 3,175	-	( 3,175)	-

**Note 9: Defined Benefit Pension Plan**

**Plan Description** – The City of Eupora contributes to the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees’ Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201, or by calling (601) 349-3589 or 1-800-PERS.

CITY OF EUPORA, MISSISSIPPI  
Notes to Financial Statements (Continued)  
For the Year Ended September 30, 2010

**Note 9: Defined Benefit Pension Plan (Continued)**

**Funding Policy** – PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 12% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Eupora's contributions to PERS for the fiscal years ended September 30, 2010 and 2009 were \$67,470, and \$68,101, respectively, which equaled the required contribution.

**Note 10: Risk Management**

The City of Eupora is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases coverage of risks of loss related to torts from the Mississippi Municipal Service Company. The City purchases coverage of risks of loss related to theft of, damage to and destruction of assets from commercial insurance carriers. The City purchases coverage of risks of loss related to workers' compensation claims from the Mississippi Municipal Workers Compensation Group.

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The City is exposed to no liability above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters, at September 30, 2010; therefore, no liability has been accrued at this time.

**Note 11: Subsequent Events**

The City was aware of no subsequent events of a material nature requiring disclosure in the financial statements through July 01, 2011, the date the financial statements were approved by the City's management and thereby available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EUPORA, MISSISSIPPI  
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Budget		Actual	Variance with Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 272,000	330,500	336,828	\$ 6,328
Penalties and interest	-	1,500	2,993	1,493
Licenses and permits	86,050	93,700	93,850	150
Intergovernmental revenues	553,250	482,700	487,552	4,852
Charges for Governmental Services:				
Garbage collection	142,000	145,000	148,405	3,405
Recreational fees	88,000	36,950	37,031	81
Fines and forfeitures	40,000	37,750	37,506	( 244)
Donations	-	3,500	3,530	30
Grants	147,700	17,869	17,969	100
Interest income	-	2,731	3,601	870
Rent income	8,600	11,500	13,114	1,614
Miscellaneous	11,100	11,500	12,621	1,121
Total Revenues	<u>1,348,700</u>	<u>1,175,200</u>	<u>1,195,000</u>	<u>19,800</u>
<b>EXPENDITURES</b>				
General government	191,900	188,125	176,559	11,566
Public safety:				
Police	385,000	383,511	366,525	16,986
Fire	51,000	51,000	34,950	16,050
Public Works:				
Public property	97,520	186,170	95,899	90,271
Streets and sanitation	764,820	358,445	355,813	2,632
Culture and recreation	113,580	78,530	78,175	355
Economic development	16,500	16,500	15,750	750
Total Expenditures	<u>1,620,320</u>	<u>1,262,281</u>	<u>1,123,671</u>	<u>138,610</u>
Excess of Revenues over (under) Expenditures	<u>( 271,620)</u>	<u>( 87,081)</u>	<u>71,329</u>	<u>158,410</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	274,300	-	29,301	29,301
Proceeds from sale of capital assets	-	-	201	201
Total Other Financing Sources and Uses	<u>274,300</u>	<u>-</u>	<u>29,502</u>	<u>29,502</u>
Net Change in Fund Balance	2,680	( 87,081)	100,831	187,912
Fund Balances - Beginning	90,150	90,150	139,369	49,219
Fund Balances - Ending	<u>\$ 92,830</u>	<u>3,069</u>	<u>240,200</u>	<u>\$ 237,131</u>

CITY OF EUPORA, MISSISSIPPI  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2010

**Note 1: Budgetary Information**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

Mississippi laws require that municipalities 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 are recorded under the accrual basis. Prior year claims that are paid after 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 principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the Statement of Revenues, Expenditures, and Changes in Fund Balance be prepared according to the modified accrual basis (GAAP).

**Note 2: Basis of Presentation**

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund. The Budgetary Comparison – Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

**Note 3: Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are (1) revenues are recorded under the cash basis (budgetary) as opposed to when susceptible to accrual (GAAP) and (2) expenditures are recorded under the modified cash basis (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the change in fund balance from the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	<u>General Fund</u>
Budget (Cash Basis)	\$ <u>100,831</u>
Increase (Decrease)	
Net adjustments for revenue accruals	250,696
Net adjustments for expenditure accruals	<u>( 61,693)</u>
GAAP Basis	\$ <u><u>289,834</u></u>

OTHER ADDITIONAL INFORMATION

CITY OF EUPORA, MISSISSIPPI  
 Comparative Balance Sheets  
 Governmental Fund  
 September 30,

	2010	2009
<b>Assets:</b>		
Cash	\$ 136,697	\$ 139,369
Certificates of deposit	423,215	383,888
Cash bond funds held by USDA	244,999	-
Accounts receivable	25,107	24,850
Accrued interest receivable	231	476
Intergovernmental receivables	66,432	65,497
Property tax receivable	2,779	5,125
<b>Total Assets</b>	<b>899,460</b>	<b>619,205</b>
 <b>Liabilities and Fund Balance:</b>		
Liabilities:		
Accounts payable	79,151	84,531
Accrued liabilities	36,595	34,228
Interfund payable	102,604	108,490
Intergovernmental payables	2,255	2,935
<b>Total Liabilities</b>	<b>220,605</b>	<b>230,184</b>
 Fund Balance:		
Restricted for capital improvements	244,999	-
Unrestricted	433,856	389,021
<b>Total Fund Balance</b>	<b>678,855</b>	<b>389,021</b>
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 899,460</b>	 <b>\$ 619,205</b>

CITY OF EUPORA, MISSISSIPPI  
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
For the Years Ended September 30,

	2010	2009
<b>Revenues:</b>		
Property taxes	\$ 327,420	\$ 335,010
Penalties and interest	2,993	2,154
Licenses and permits	94,697	88,364
Intergovernmental revenues:		
Fire protection	17,154	12,291
Gasoline tax	6,540	6,540
Pro rata road tax	55,405	53,762
Sales tax	414,396	409,098
Municipal revolving fund	1,207	1,212
Charges for Governmental Services:		
Garbage collection	148,662	147,525
Recreational fees	40,397	85,957
Fines and forfeitures	37,545	40,689
Donations	9,171	4,498
Grants	19,123	84,903
Interest income	3,429	4,617
Rent income	8,494	8,673
Miscellaneous	4,680	6,763
Total Revenues	1,191,313	1,292,056
<b>Expenditures:</b>		
General government	176,669	171,534
Public Safety:		
Police	391,693	371,819
Fire	34,950	50,596
Public Works:		
Public property	138,805	168,881
Streets and sanitation	338,294	331,920
Culture and recreation	89,203	156,788
Economic development	15,750	15,000
Total Expenditures	1,185,364	1,266,538
Excess of Revenues Over Expenditures	5,949	25,518
<b>Other Financing Sources</b>		
Proceeds from issuance of debt	281,385	-
Proceeds from sale of capital assets	2,500	18,550
Total Other Financing Sources	283,885	18,550
<b>Net Change in Fund Balance</b>	289,834	44,068
<b>Fund Balance, Beginning</b>	389,021	344,953
<b>Fund Balance, Ending</b>	\$ 678,855	\$ 389,021

CITY OF EUPORA, MISSISSIPPI  
 Comparative Statements of Net Assets  
 Proprietary Fund  
 September 30,

	2010	2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 122,993	\$ 102,675
Certificates of deposit	116,170	115,504
Cash bond funds held by USDA	29,474	34,468
Accounts receivable, net	93,205	73,994
Accrued interest receivable	30	31
Interfund receivable	102,604	108,490
Total Current Assets	464,476	435,162
<b>Noncurrent Assets:</b>		
Capital assets, net of accumulated depreciation	4,376,920	4,417,316
Bond issue costs	10,696	11,247
Deposits	463	463
Assessments receivable	105,037	118,800
Total Noncurrent Assets	4,493,116	4,547,826
<b>TOTAL ASSETS</b>	<b>4,957,592</b>	<b>4,982,988</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	-	1,059
Accrued interest payable	27,016	11,278
Accrued liabilities	14,072	13,787
Customer deposits	79,194	77,962
Current portion of long term debt	32,503	61,088
Total Current Liabilities	152,785	165,174
<b>Long-Term Liabilities:</b>		
Bonds payable	1,061,855	1,094,546
<b>TOTAL LIABILITIES</b>	<b>1,214,640</b>	<b>1,259,720</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,282,563	3,737,682
Contributed capital	4,783,783	4,783,783
Restricted for capital improvements	29,474	34,468
Retained deficit - Unrestricted	( 4,352,868)	( 4,832,665)
<b>TOTAL NET ASSETS</b>	<b>\$ 3,742,952</b>	<b>\$ 3,723,268</b>

CITY OF EUPORA, MISSISSIPPI  
 Comparative Statements of Revenues, Expenses and Changes in Net Assets  
 Proprietary Fund  
 September 30, 2010

	<u>2010</u>	<u>2009</u>
<b>Operating Revenue:</b>		
Charges for services	\$ 679,023	\$ 615,380
Penalties	<u>28,871</u>	<u>31,684</u>
Total Operating Revenue	<u>707,894</u>	<u>647,064</u>
<b>Operating Expenses:</b>		
Salaries and employee benefits	227,880	211,782
Materials and supplies	80,096	67,015
Utilities	84,818	84,165
Maintenance	80,015	101,414
Contractual services	62,971	28,835
Insurance	9,994	10,005
Sales tax	4,656	4,510
Miscellaneous	5,749	4,657
Depreciation and bond cost amortization	<u>213,629</u>	<u>215,220</u>
Total Operating Expenses	<u>769,808</u>	<u>727,603</u>
Operating Loss	<u>( 61,914)</u>	<u>( 80,539)</u>
<b>Nonoperating Revenue (Expenses):</b>		
Interest income	8,470	6,877
Interest expense	<u>( 73,566)</u>	<u>( 41,291)</u>
Total Nonoperating Revenue (Expenses)	<u>( 65,096)</u>	<u>( 34,414)</u>
Loss Before Capital Grants	<u>( 127,010)</u>	<u>( 114,953)</u>
<b>Capital Grants:</b>		
Capital grants	<u>146,694</u>	<u>234,613</u>
<b>Change in Net Assets</b>	19,684	119,660
<b>Total Net Assets, Beginning</b>	<u>3,723,268</u>	<u>3,603,608</u>
<b>Total Net Assets, Ending</b>	<u>\$ 3,742,952</u>	<u>\$ 3,723,268</u>

CITY OF EUPORA, MISSISSIPPI  
Schedule of Long-Term Debt  
September 30, 2010

	Balance Outstanding <u>9/30/2009</u>	Transactions		Balance Outstanding <u>9/30/2010</u>
		<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable:</b>				
Regions Bank - Truck	3,175	-	( 3,175)	-
Regions Bank - Police cars	12,273	-	( 7,192)	5,081
Regions Bank - Tractor/cutter	14,449	-	( 8,140)	6,309
Regions Bank - Mower	1,529	-	( 1,529)	-
Regions Bank - Mower	-	7,085	( 2,013)	5,072
Total	<u>31,426</u>	<u>7,085</u>	<u>( 22,049)</u>	<u>16,462</u>
<b>Bonds Payable:</b>				
FHA Bond 9301	27,000	-	( 27,000)	-
FHA Bond 9202	70,575	-	( 11,174)	59,401
FHA Bond 9104	193,437	-	( 6,805)	186,632
FHA Bond 9108	3,297	-	( 445)	2,852
FHA Bond 9106	186,172	-	( 5,763)	180,409
FHA Bond 9205	195,978	-	( 6,914)	189,064
2008 Water & Sewer Revenue Bond	476,000	-	-	476,000
2010 General Obligation Street Bond	-	274,300	-	274,300
Total	<u>1,152,459</u>	<u>274,300</u>	<u>( 58,101)</u>	<u>1,368,658</u>

CITY OF EUPORA, MISSISSIPPI  
 Schedule of Surety Bonds for City Officials  
 September 30, 2010

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Tommy Lott	Mayor	Brierfield Insurance Company	\$50,000
Lesa Hardin	City Clerk	St. Paul Travelers	\$50,000
Melinda F. Norwood	Police Dispatcher	Brierfield Insurance Company	\$50,000
Marsha R. Newton	Deputy City Clerk	Brierfield Insurance Company	\$50,000
Jenny Hatcher	Deputy City Clerk	Brierfield Insurance Company	\$50,000
Gregory A. Hunter	Chief of Police	Brierfield Insurance Company	\$50,000
Billy Brister	Alderman	St. Paul Travelers	\$50,000
Rickey Newton	Alderman	St. Paul Travelers	\$50,000
Henry Flowers	Alderman	St. Paul Travelers	\$50,000
Dan Burchfield	Alderman	St. Paul Travelers	\$50,000
Vicky Patterson	Alderman	St. Paul Travelers	\$50,000

SPECIAL REPORTS



**WATKINS, WARD AND STAFFORD**  
**Professional Limited Liability Company**  
**Certified Public Accountants**

James L. Stafford, CPA  
 Harry W. Stevens, CPA  
 S. Keith Winfield, CPA  
 William B. Staggers, CPA  
 Aubrey R. Holder, CPA  
 Michael W. McCully, CPA  
 Mort Stroud, CPA  
 R. Steve Sinclair, CPA  
 Michael L. Pierce, CPA  
 Marsha L. McDonald, CPA

Wanda S. Holley, CPA  
 Robin Y. McCormick, CPA/PFS  
 J. Randy Scrivner, CPA  
 Kimberly S. Caskey, CPA  
 Susan M. Lummus, CPA  
 Thomas J. Browder, CPA  
 Stephen D. Flake, CPA  
 John N. Russell, CPA  
 Thomas A. Davis, CPA  
 Anita L. Goodrum, CPA

**Independent Auditors' Report On Compliance  
 With State Laws and Regulations**

Honorable Mayor and Board of Aldermen  
 City of Eupora  
 Eupora, Mississippi

We have audited the general purpose financial statements of the City of Eupora, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated July 01, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of our tests indicate that, with respect to the items tested, the City of Eupora, Mississippi complied with the provisions referred to in the preceding paragraph except as stated in the following paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Eupora, Mississippi had not complied with those provisions.

**Finding**

During our audit of the City's financial statements, we noted that the City's funds were not fully collateralized through the Mississippi Public Depository Collateral Pool Program.

**Recommendation**

We recommend that the City review the quarterly collateralization reports received from the Mississippi State Treasury Department to ensure that all funds are included in the collateral pool program.

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

Eupora, Mississippi  
 July 01, 2011

*Watkins, Ward and Stafford, PLLC*



**WATKINS, WARD AND STAFFORD**  
**Professional Limited Liability Company**  
**Certified Public Accountants**

James L. Stafford, CPA	Wanda S. Holley, CPA
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R. Steve Sinclair, CPA	John N. Russell, CPA
Michael L. Pierce, CPA	Thomas A. Davis, CPA
Marsha L. McDonald, CPA	Anita L. Goodrum, CPA

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Board of Aldermen  
City of Eupora  
Eupora, 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 City of Eupora, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated July 01, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 10-1 and 10-2 described in the accompanying schedule of findings and responses to be material weaknesses.

## Compliance and Other Matters

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

This report is intended solely for the information and use of management and others within the organization including the Mayor and the Board of Aldermen of the City of Eupora, Mississippi, and is not intended to be and should not be used by anyone other than these specified parties.

Eupora, Mississippi  
July 01, 2011

*Watkins, Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF EUPORA, MISSISSIPPI  
Schedule of Findings and Responses  
For the Year Ended September 30, 2010

**Section 1: Summary of Auditors' Results**

**Financial Statements**

1. Type of auditors' report issued on the financial statements:

Governmental Activities	Unqualified
General Fund	Unqualified
Water and Sewer Fund	Unqualified
  
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  
  - b. Significant deficiencies identified that are not considered to be material weaknesses? None reported
  
3. Noncompliance material to the financial statements? No

**Section 2: Financial Statement Findings**

**10-1 Finding**

During our audit of the City's financial statements, we noted that the City does not have adequate segregation of duties for internal control purposes. This condition existed in the prior year.

**Recommendation**

Because it is not practical to hire more employees, all possible controls with a limited number of employees should be established.

**Response**

The City has segregated the duties of the employees and established such internal control procedures as economically feasible considering the number of office employees of the City.

CITY OF EUPORA, MISSISSIPPI  
Schedule of Findings and Responses  
For the Year Ended September 30, 2010

**Section 2: Financial Statement Findings (Continued)**

**10-2 Finding**

During our audit of the City's financial statements, we noted monthly review procedures were not being performed every month. This created a breakdown in internal controls over the general ledger and financial statements.

**Recommendation**

We recommend that monthly review procedures be performed every month to ensure the reconciliation of due to and due from accounts, correction of miscoded items and reconciliation of subsidiary ledgers to the general ledger.

**Response**

The City performs monthly financial balancing of all bank accounts, revenues and expenses. There are occasional due to and due from discrepancies that were not cleared properly on a monthly basis. The City will diligently perform these reviews on a monthly basis.