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Town of Lyon
Financial Statements
September 30, 2005

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

**TOWN OF LYON, MISSISSIPPI
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ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying combined Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities of the Town of Lyon for the year ended September 30, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

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

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

The supplementary information contained in Schedules 1, 2 and 3 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of management of the Town of Lyon, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

December 22, 2005

**TOWN OF LYON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Governmental Activities		Total	Business-type Activities
	General Fund	Special Revenue Fund		Proprietary Fund
<u>Revenue Receipts</u>				
Ad Valorem Taxes - Current	75,221.65		75,221.65	
Penalties & Interest on Delinquent Taxes	79.02		79.02	
Franchise Tax - Utilities	12,232.93		12,232.93	
Privilege License	210.00		210.00	
Share of Gaming - Coahoma County	50,000.11		50,000.11	
Ad Valorem Taxes - Prior	46.08		46.08	
Shared Taxes	1,856.48		1,856.48	
Donation - Heaton	10,000.00		10,000.00	
Intergovernmental Revenues:				
State Shares Revenues:				
Sales Tax	34,831.28		34,831.28	
Gasoline Tax	1,123.31		1,123.31	
Municipal Aid	217.88		217.88	
Fire Aid		1,969.10	1,969.10	
Grand Gulf	868.58		868.58	

**TOWN OF LYON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Governmental Activities			Business-type Activities
	General Fund	Special Revenue Fund	Total	Proprietary Fund
Homestead Exemption	4,082.82		4,082.82	
HOME Project		3,500.00	3,500.00	
Charges for Service:				
Water Fees			0.00	57,266.43
Sewer Fees			0.00	41,313.00
Garbage Fees			0.00	17,370.88
Other Receipts:				
Rents	4,441.71		4,441.71	
Interest Earned	9,219.19		9,219.19	389.02
Miscellaneous	58.25		58.25	508.53
Operating Transfers	<u>5,324.00</u>		<u>5,324.00</u>	
<u>Total Receipts</u>	209,813.29	5,469.10	215,282.39	116,847.86
Cash: Beginning of Year	<u>541,858.80</u>		<u>541,858.80</u>	<u>123,595.01</u>
<u>Total Amount Accounted For</u>	<u>751,672.09</u>	<u>5,469.10</u>	<u>757,141.19</u>	<u>240,442.87</u>

**TOWN OF LYON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Governmental Activities		Business-type Activities	
	General Fund	Special Revenue Fund	Total	Proprietary Fund
<u>Disbursements</u>				
Financial & Administrative				
Salaries & Wages	80,379.34		80,379.34	
Other Services & Charges	66,567.32		66,567.32	
Public Safety - Police				
Salaries & Wages	6,838.85		6,838.85	
Other Services & Charges	1,237.75		1,237.75	
Public Safety - Fire				
Other Services & Charges		1,969.00	1,969.00	
Housing				
HOME Project		3,557.32	3,557.32	
Water Department				
Salaries & Wages			0.00	6,000.00
Other Services & Charges			0.00	23,518.98

**TOWN OF LYON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Governmental Activities		Business-type Activities	
	General Fund	Special Revenue Fund	Total	Proprietary Fund
Sewer Department				
Salaries & Wages			0.00	4,800.00
Other Services & Charges			0.00	20,500.48
Sanitation				
Garbage Pickup			0.00	24,600.00
<u>Other</u>				
Operating Transfers			0.00	5,324.00
Loan Repayment			0.00	11,209.96
Capital Outlay	60,638.90		60,638.90	
<u>Total Disbursements</u>	215,662.16	5,526.32	221,188.48	95,953.42
Cash: End of Year	536,009.93	(57.22)	535,952.71	142,689.45
<u>Total Amount Accounted For</u>	<u>751,672.09</u>	<u>5,469.10</u>	<u>757,141.19</u>	<u>238,642.87</u>

See the accompanying notes to the financial statements.

**TOWN OF LYON, MISSISSIPPI
SELECTED DISCLOSURES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Note 1 - Significant Accounting Policies

A. Reporting Entity

In evaluating and defining the Town's government it was found that the Town has no component units and therefore was considered as one unit.

B. Accounting

The Town uses funds to report its cash receipts and disbursements. Fund accounting is used to demonstrate legal compliance by segregating transactions related to specific government functions.

The Town uses three fund classifications of funds: general fund, special revenue fund and proprietary fund. Each fund has a separate balanced set of accounts.

The general government funds are used to account for all the Town's general governmental activities and includes the accounting for fixed assets and general long-term debt.

The special revenue fund is used to account for specific revenues that are restricted to expenditures for specific purposes.

The proprietary funds are used to account for activities where net income or net loss is determined as if operated as a business-type activity.

C. Basis of Accounting

The financial statements are prepared using the cash receipts and disbursements method of accounting as prescribed by the Office of the State Auditor. Revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred.

D. Cash Deposits

The Town deposits all its funds in financial institutions selected by the Board of Aldermen that are insured by the Federal Deposit Insurance Corporation (FDIC).

E. The total column in this financial statement is presented for overview information purposes and is not meant to present fairly the cash receipts and disbursements on a consolidated basis.

**TOWN OF LYON, MISSISSIPPI
SELECTED DISCLOSURES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Note 2 - Ad Valorem Tax

The Town uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the millage is set in September of each year. The Town clerk bills property owner for the ad valorem tax in December of each year. They are due on January 1 and become delinquent after February 1. The taxes levied for the year ending September 30, 2005 was 36.5 mills.

Auto taxes are collected and remitted to the Town by the Coahoma County tax collector.

Note 3 - Long-Term Debt

The Town has two interest bearing notes payable as reflected on Schedule 2. These notes and interest are paid annually from water and sewer revenues.

Note 4 - Cash And Other Deposits

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

The carrying amount of the Town's deposits with financial institutions was \$678,642.16 and the bank balance was \$678,740.86.

**TOWN OF LYON, MISSISSIPPI
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2005**

<u>General Fund</u>	<u>Amount</u>
<u>General Revenue Funds - Regions Bank</u>	
2.723% Certificate of Deposit, #370508533 Dated September 4, 2005, due March 3, 2006	103,989.74
2.576% Certificate of Deposit, #370507543 Dated September 22, 2005, due March 22, 2006	96,149.17
3.8% Certificate of Deposit, #278186119 Dated November 4, 2005, due May 4, 2006	82,866.01
2.7% Certificate of Deposit, #370503237 Dated April 29, 2005, due April 29, 2006	45,612.53
2.34% Certificate of Deposit, #370507659 Dated June 19, 2005, due December 16, 2005	127,157.18
2.576% Certificate of Deposit, #370507535 Dated September 22, 2005, due March 22, 2006	51,520.55
<u>Proprietary Funds</u>	
<u>Water System Fund - Regions Bank</u>	
2.9% Certificate of Deposit, #370505174 Dated July 9, 2005, due July 9, 2006	11,159.74
2.35% Certificate of Deposit, #370503625 Dated January 28, 2005, due January 28, 2006	2,259.65
2.674% Certificate of Deposit, #370508541 Dated September 4, 2005, due March 3, 2006	2,911.24

**TOWN OF LYON, MISSISSIPPI
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2005**

Sewer System Fund - Regions Bank

3.88% Certificate of Deposit, #278186143

Dated November 4, 2005, due November 4, 2006

4,824.92

Total Investments

528,450.73

See accountants' compilation report.

TOWN OF LYON, MISSISSIPPI
 SCHEDULE OF LONG-TERM DEBT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Definition & Purpose</u>	Balance Outstanding 10-1-04	Transactions During Fiscal Year		Balance Outstanding 9-30-05
		<u>Issued</u>	<u>Redeemed</u>	
<u>Other Long-Term Debt</u>				
GMAC Commercial Mortgage	77,259.30		6,988.11	70,271.19
United States Department of Agriculture	<u>305,825.81</u>		<u>4,221.85</u>	<u>301,603.96</u>
	<u>383,085.11</u>	<u>0.00</u>	<u>11,209.96</u>	<u>371,875.15</u>

See accountants' compilation report.

TOWN OF LYON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2005

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
John R. Sawyer	Mayor	Fidelity & Deposit	50,000.00
Beckey West	Clerk	Fidelity & Deposit	50,000.00
Beckey West	Clerk	Fidelity & Deposit	21,000.00
Beckey West	Clerk	Western Surety	50,000.00
Malcolm Ashcraft, Jr.	Alderman	U. S. Fidelity & Guaranty	2,500.00
Alan Foster	Alderman	U. S. Fidelity & Guaranty	2,500.00
Thurman Fulton, Jr.	Alderman	U. S. Fidelity & Guaranty	2,500.00
Lee Sturdivant	Alderman	U. S. Fidelity & Guaranty	2,500.00
G. Paul Tedford	Alderman	Fidelity & Deposit	2,500.00
Richard Antici	Maintenance Superintendent	Fidelity & Deposit	10,000.00
Jerry Lee Clayton	Town Marshall	Western Surety	50,000.00
Beckey West	Clerk	Western Surety	5,000.00
Josh Valentine, Jr.	Deputy Marshall	Western Surety	25,000.00
Reuben Blaylock	Deputy Marshall	Western Surety	25,000.00
Ronny Tackett	Deputy Marshall	Western Surety	25,000.00
Raney Reese	North Delta Municipal Commissioner	Western Surety	10,000.00
See accountants' compilation report.			

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

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

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Lyon, Mississippi, as of September 30, 2005, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Lyon, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

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

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Regions Bank	General	28,657.53
Regions Bank - Certificates of Deposit	General	<u>507,295.18</u>
<u>Total Governmental Activities</u>		<u>535,952.71</u>
Regions Bank	Proprietary	121,533.90
Regions Bank - Certificates of Deposit	Proprietary	<u>21,155.55</u>
<u>Total Proprietary</u>		<u>142,689.45</u>
<u>Total All Funds</u>		<u><u>678,642.16</u></u>

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

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

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

<u>Payment Purpose</u>	<u>Ledger Amount</u>
Sales Tax Allocation	34,831.28
Fire Protection Allocation	1,969.10
General Municipal Aid	217.88
Gasoline Tax	1,123.31
Homestead Exemption Reimbursement	4,082.82
Payments - Nuclear Plant	868.58
Homeland Grant	<u>3,500.00</u>
<u>Total</u>	<u>46,592.97</u>

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

The sample consisted of the following:

Number of Sample Items	43
Total Dollar Value of Sample	\$ 48,719.16

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

5. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1 and 2 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Lyon, Mississippi, for the year ended September 30, 2005.

Ellis & Hirsberg, CPA, LLC

By: _____, Partner

December 22, 2005

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

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

We have compiled the accompanying combined Statement of Cash Receipts and Disbursements - Governmental and Business-type Activities of Town of Lyon for the year ended September 30, 2005, and have issued our report thereon dated December 22, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our compilation engagement and, accordingly, we do not express such an opinion.

In connection with our compilation report, nothing came to our attention that caused us to believe that the Town of Lyon, Mississippi had not complied with the requirements of the Office of the State Auditor as set forth in the Municipal Compliance Questionnaire and other state laws and regulations.

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

December 22, 2005