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TOWN OF NEW AUGUSTA, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

TOWN OF NEW AUGUSTA, MISSISSIPPI

PUBLIC OFFICIALS

Albert Garner
Mayor

Emily Holder
Town Clerk

Members of Board of Aldermen

James Benefield

David Gallaspy

Patci Gregory

Roger Jones

Thomas Ladner

TOWN OF NEW AUGUSTA, MISSISSIPPI

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Certified Public
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of New Augusta
New Augusta, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the Town of New Augusta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of New Augusta, Mississippi's, management. Our responsibility is to express an opinion 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 opinion.

As described in Note 1, the Town of New Augusta, Mississippi, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Mississippi, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the Town of New Augusta's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of New Augusta, Mississippi, as of September 30, 2007, or the changes in financial position for the year then ended.

Independent Auditors' Report
Page Two

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Town of New Augusta, Mississippi, as of September 30, 2007, and the revenues it received and expenditures it paid for the year ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2008, on our consideration of the Town of New Augusta, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 budgetary comparison information on page 16 is not a required part of the basic 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of New Augusta, Mississippi, taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.



KING CPA, PLLC
January 29, 2008

TOWN OF NEW AUGUSTA
Statement of Cash Receipts and Disbursements
Governmental and Business-type Activities
For the Year Ended September 30, 2007

Functions/Programs	Program Receipts				Net Cash Excess (Deficit)		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 114,216	\$ -	\$ -	\$ -	\$ (114,216)		\$ (114,216)
Court	42,556	-	-	-	(42,556)		(42,556)
Public safety-police	58,944	9,505	-	-	(49,439)		(49,439)
Public safety-fire	19,830	-	16,616	-	(3,214)		(3,214)
Public works-street	17,865	-	-	-	(17,865)		(17,865)
Culture & recreation-library	1,962	-	-	-	(1,962)		(1,962)
Culture & recreation-park	4,481	-	4,000	-	(481)		(481)
Redemption of principal	16,392	-	-	-	(16,392)		(16,392)
Interest/charges on long-term debt	2,336	-	-	-	(2,336)		(2,336)
Total governmental activities	<u>278,582</u>	<u>9,505</u>	<u>20,616</u>	<u>-</u>	<u>(248,461)</u>		<u>(248,461)</u>
Business-type activities							
Water & Sewer	380,348	165,443	-	150,000		(64,905)	(64,905)
Total business-type activities	<u>380,348</u>	<u>165,443</u>	<u>-</u>	<u>150,000</u>		<u>(64,905)</u>	<u>(64,905)</u>
Total	<u>\$ 658,930</u>	<u>\$ 174,948</u>	<u>\$ 20,616</u>	<u>\$ 150,000</u>	<u>(248,461)</u>	<u>(64,905)</u>	<u>(313,366)</u>
General receipts							
Property taxes					105,740	-	105,740
Sales taxes					176,207	-	176,207
Franchise taxes					30,573	-	30,573
County shared receipts not restricted to specific programs					3,701	-	3,701
State shared receipts not restricted to specific programs					8,205	-	8,205
Other receipts not restricted to specific programs					12,321	2,884	15,205
Unrestricted investment earnings					4,253	717	4,970
Transfers					(54,335)	54,335	-
Total general receipts and transfers					<u>286,665</u>	<u>57,936</u>	<u>344,601</u>
Change in cash					38,204	(6,969)	31,235
Cash - beginning					<u>346,811</u>	<u>66,269</u>	<u>413,080</u>
Cash - ending					<u>\$ 385,015</u>	<u>\$ 59,300</u>	<u>\$ 444,315</u>

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Statement of Cash Receipts and Disbursements
Governmental and Proprietary Funds
For the Year Ended September 30, 2007

	<u>Governmental Funds</u> <u>General Fund</u>	<u>Proprietary Funds</u> <u>Water & Sewer Fund</u>
RECEIPTS:		
General Property Taxes, Penalties & Interest	\$ 105,740	\$ -
Franchise Taxes, Licenses and Permits	30,573	
Intergovernmental Revenues:		
State Shared Revenue:		
Sales Tax	176,207	
Other State Revenue	8,205	
MDA Grant		150,000
County Shared Revenue:		
Fire Protection 1/4 Mil	12,616	
Other County Revenue	11,701	
Charges for Services: Water Utility		165,443
Fines and Forfeits:	9,505	
Interest on Investments	4,253	717
Other Local Receipts	12,321	-
	<u>371,121</u>	<u>316,160</u>
DISBURSEMENTS:		
General Government	114,216	
Court	42,556	
Police	58,944	
Fire	19,830	
Public Works - Street	17,865	
Library	1,962	
Park	4,481	
Enterprises:		
Water Utility Operations		156,260
Water Utility Capital Outlay		206,456
Redemption of Principal	16,392	12,659
Debt Service Interest	2,336	4,973
	<u>278,582</u>	<u>380,348</u>
Excess (Deficiency) of receipts over disbursements	<u>92,539</u>	<u>(64,188)</u>
OTHER FINANCING SOURCES (USES)		
Interfund payables	-	2,884
Transfers from (to) other funds	(54,335)	54,335
	<u>(54,335)</u>	<u>57,219</u>
Net Excess (Deficiency)	<u>38,204</u>	<u>(6,969)</u>
CASH BASIS FUND BALANCE-BEGINNING	<u>346,811</u>	<u>66,269</u>
CASH BASIS FUND BALANCE-ENDING	<u>\$ 385,015</u>	<u>\$ 59,300</u>

See accompanying notes and independent auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Summary of Significant Accounting Policies

The Town of New Augusta operates under a Mayor-Alderman form of government and provides the following services:

- General Administration
- Judicial
- Public Safety
- Public Works
- Parks and Library
- Water and Sewer Utility

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the town's board of aldermen. In evaluating how to define the Town for financial reporting purpose, 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 the only-criteria 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 the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Town's reporting entity.

Excluded from the reporting entity:

- Town of New Augusta Volunteer Fire Department

The Town has no authority or control over the Volunteer Fire Department's budget or operations.

B. Financial Reporting.

The Combined Statement of Cash Receipts and Disbursements – All Funds is prepared on the cash receipts and disbursements basis of accounting as prescribed by the Office of State Auditor. Consequently, revenues are recognized when received and expenditures are recognized when legally charged to the current budget (cash basis plus thirty days)

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

C. Account Classifications.

The account classifications used in the financial statements are in accordance with the classifications required by the Mississippi State Department of Audit.

D. Fund Accounting.

The accounts of the Town of New Augusta are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Town resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad categories as follows:

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

Enterprise 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 and expenses of providing goods and 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 appropriate for capital maintenance, public policy, management control, accountability or other purposes.

E. Budgets.

The budget is prepared on the cash basis as legally required by statute. The budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the Board of Aldermen. By statute, final budget and tax levy must be adopted on or before September 15 for the following fiscal year.

F. Investments.

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

The town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits.

G. Property Tax Revenue

Property taxes are assessed by the Town on a calendar year basis. Property taxes are considered delinquent February 1 and a tax sale is held in August for unpaid taxes. Property Tax revenue is recognized when collected, due to the uncertainty of collecting property taxes after September 30.

(2) Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established 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 \$445,343, and the bank balance was \$452,260.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the town. As of September 30, 2007, \$352,260 of the district's bank balance of \$452,260 was exposed to custodial risk.

(3) Bonds Payable

Presented below is Section 21-33-303 Mississippi Code:

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage 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 general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes are levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred 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 Section 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53, or to any indebtedness incurred under Section 55-23-8.

The following is a schedule of limitations on the indebtedness of the Town at September 30, 2007:

<u>Authorized Debt Limit:</u>	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation of fiscal year ended 'September 30, 2007 (\$3,203,394)	\$ 480,509	\$ 640,679
Present debt subject to 15% limitation	(53,377)	
Present debt subject to 20% limitation including debt subject to 15% limitation		(53,377)
Margin for further debt under respective debt limits	<u>\$ 427,132</u>	<u>\$ 587,302</u>

(4) Defined Benefit Pension Plan

Plan Description: The Town of New Augusta, Mississippi contributes to the Public Employees'

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the Town of New Augusta is required to contribute at an actuarial determined rate. The current rate is 11.25% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the years ending September 30, 2007, 2006, and 2005, were \$16,562, \$16,239 and \$12,733, respectively, which equaled the required contributions for each year.

(5) Risk Management

The Town of New Augusta 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 Town participates in two separate risk pools to provide coverage for possible losses due to these risks. These pools are described below:

A. Mississippi Municipal Workers' Compensation Group

This pool was formed under the Mississippi Workers' Compensation Act to provide coverage for claims arising from injuries to employees. The Town is jointly and severally liable for obligations of the group.

B. Mississippi Municipal Liability Plan

This pool was formed under inter-local agreements for the purpose of providing the liability coverage prescribed by the Plan for the member municipalities. The pool uses a "service company" to manage the plan's day to day activities.

The Town of New Augusta pays premiums based upon an actuarial assessment of the Town's loss experience rate and the plans overall financial condition. The Town may be assessed if, at any time, the assets of the plan, in the opinion of the Board of Trustees, are insufficient to discharge its obligations.

(6) Commitments, Contingencies and Litigation

A. Employee Garnishment Receivable

On February 9, 2001 the Chancery Court of Lamar County awarded the Town of New

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

Augusta a judgment against a former employee in the amount of \$7,561.21. The judgment is the result of the Town having been levied for failing to respond to a legal garnishment. As of September 30, 2007, the Town has not received any payments toward this judgment.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NEW AUGUSTA
Budgetary Comparison Schedule for the General Fund
For the Year Ended September 30, 2007

SCHEDULE 1A
 Variances

	Budgeted Amounts		Actual (Budgetary Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
RECEIPTS					
Property taxes	\$ 115,000	\$ 115,050	\$ 105,740	\$ 50	\$ (9,310)
License and permits	28,500	28,500	30,573	-	2,073
Intergovernmental revenues	181,500	181,500	208,729	-	27,229
Fines and forfeitures	20,000	20,000	9,505	-	(10,495)
Miscellaneous	2,200	2,000	16,574	(200)	14,574
TOTAL RECEIPTS	<u>347,200</u>	<u>347,050</u>	<u>371,121</u>	<u>(150)</u>	<u>24,071</u>
EXPENDITURES					
General government	77,900	77,900	124,247	-	(46,347)
Court	48,750	48,750	42,556	-	6,194
Public safety-police	92,300	92,300	58,944	-	33,356
Public safety-fire	44,500	44,500	28,527	-	15,973
Public works-street	21,000	21,000	17,865	-	3,135
Parks	5,600	5,600	1,962	-	3,638
Library	2,200	2,200	4,481	-	(2,281)
TOTAL EXPENDITURES	<u>292,250</u>	<u>292,250</u>	<u>278,582</u>	<u>-</u>	<u>13,668</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	54,950	54,800	92,539	(150)	37,739
Other Financing Sources (Uses)	<u>(37,000)</u>	<u>(56,000)</u>	<u>(54,335)</u>	<u>(93,000)</u>	<u>(110,335)</u>
NET CHANGE IN CASH BALANCE	<u>\$ 17,950</u>	<u>\$ (1,200)</u>	38,204	<u>\$ (93,150)</u>	<u>\$ (72,596)</u>
CASH BALANCE-BEGINNING			<u>346,811</u>		
CASH BALANCE-ENDING			<u>\$ 385,015</u>		

See accompanying notes and independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NEW AUGUSTA
Schedule of Long-Term Debt
For the Year Ended September 30, 2007

	<u>BALANCE</u> <u>October 1, 2006</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>BALANCE</u> <u>September 30, 2007</u>	<u>INTEREST</u> <u>PAID</u>
USDA, Rural Development					
NO. 91-02 - W&S SYSTEM REVENUE BOND, \$145,000, 5%, 35 YRS, ISSUED - MAY 12, 1981, MATURES - MAY 12, 2016 ANNUAL PMTS - \$9072.00 (756 MO.)	\$ 57,863.91	\$ -	\$ 7,148.02	\$ 50,715.89	\$ 2,679.98
NO. 93-03 - COMBINED W&S SYSTEM REVENUE BOND, \$52,600, 6.125%, 35 YRS, ISSUED - JANUARY 12, 1989 MATURES - JANUARY 12, 2024 ANNUAL PMTS - \$3756.00 (313 MO.)	\$ 36,298.19	\$ -	\$ 1,940.85	\$ 34,357.34	\$ 2,128.15
STATE OF MISSISSIPPI					
FIRE DEPARTMENT CAPITAL IMPROVEMENT \$100,000, 180 MONTHS, 3.7% , BEG 11/1/97 MONTHLY PAYMENT \$724.74	\$ 46,677.92	\$ -	\$ 7,069.37	\$ 39,608.55	\$ 1,627.51
TRUSTMARK NATIONAL BANK NEGOTIABLE NOTE \$45,000, 3.73%, 5 ANNUAL PMTS BEG 3/04	\$ 19,745.96	\$ -	\$ 9,323.21	\$ 10,422.75	\$ 708.48
NEGOTIABLE NOTE \$15,227, lease purchase 2004 F-250 48 months \$339.62 beg 8/04	<u>\$ 6,915.50</u>	<u>\$ -</u>	<u>\$ 3,570.40</u>	<u>\$ 3,345.10</u>	<u>\$ 165.42</u>
	<u>\$ 167,501.48</u>	<u>\$ -</u>	<u>\$ 29,051.85</u>	<u>\$ 138,449.63</u>	<u>\$ 7,309.54</u>

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2007

Presented below is Section 21-17-5 of Mississippi Code.

Unless otherwise provided by law, before entering upon the duties of their respective offices, the aldermen of every municipality of this state shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to five percent (5%) of the sum of all municipal taxes shown by the assessment rolls and the levies to have been collectible in the municipality for the year immediately preceding the commencement of the term of office of said aldermen; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$100,000).

<u>NAME</u>	<u>POSITION</u>	<u>BOND AMOUNT</u>	<u>COMPANY</u>
Albert Garner	Mayor	\$ 25,000	Travelers Casualty & Surety Company
James Benefield	Alderman	\$ 10,000	Travelers Casualty & Surety Company
Thomas Ladner	Alderman	\$ 10,000	Travelers Casualty & Surety Company
Roger Jones	Alderman	\$ 10,000	Travelers Casualty & Surety Company
David Gallaspy	Alderman	\$ 10,000	Travelers Casualty & Surety Company
Patci Gregory	Alderman	\$ 10,000	Travelers Casualty & Surety Company
Emily Holder	City Clerk	\$ 50,000	Travelers Casualty & Surety Company
Sherry McClendon	Municipal Court Clerk	\$ 10,000	Travelers Casualty & Surety Company
	Deputy City Clerk	\$ 10,000	
Curtis Gates	Police Chief	\$ 50,000	Travelers Casualty & Surety Company
	Police Officers	\$ 25,000	

See accompanying notes and independent auditors' report

TOWN OF NEW AUGUSTA
Schedule of Bond Reserves
For the Year Ended September 30, 2007

	<u>Balance</u> <u>October 1, 2006</u>	<u>DEPOSITS</u>	<u>INTEREST</u> <u>EARNED</u>	<u>W/DRAWALS</u>	<u>Balance</u> <u>September 30, 2007</u>
LOAN ISSUUE 9303					
Trustmark Acct # 5026021596					
DEPRECIATION (\$8MO)	\$ 1,036.67	\$ -	\$ 9.72	\$ -	\$ 1,046.39
CONTINGENT (\$8MO)	1,044.81	-	-	-	1,044.81
BOND CUSHION (\$15MO)	1,800.00	-	-	-	1,800.00
	<u>\$ 3,881.48</u>	<u>\$ -</u>	<u>\$ 9.72</u>	<u>\$ -</u>	<u>\$ 3,891.20</u>
LOAN ISSUE 9102					
Trustmark Acct # 5026021588					
DEPRECIATION (\$20 MO)	\$ 2,450.54	\$ -	\$ 24.85	\$ -	\$ 2,475.39
CONTINGENT (\$20 MO)	2,472.34	-	-	-	2,472.34
BOND CUSHION (\$40 MO)	5,000.00	-	-	-	5,000.00
	<u>\$ 9,922.88</u>	<u>\$ -</u>	<u>\$ 24.85</u>	<u>\$ -</u>	<u>\$ 9,947.73</u>
	<u>\$ 13,804.36</u>	<u>\$ -</u>	<u>\$ 34.57</u>	<u>\$ -</u>	<u>\$ 13,838.93</u>

The reserves are fully funded in accordance with the bond resolutions

See accompanying notes and independent auditors' report.

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

American Institute of ***King CPA, PLLC*** *Mississippi Society of*
Certified Public Accountants

 Certified Public Accountants

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

Mayor and Board of Aldermen
Town of New Augusta, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the Town of New Augusta's basic financial statements and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Internal Control Report

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January 29, 2008

We consider the deficiencies (2007-1 and 2007-2) described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of New Augusta, Mississippi's 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 *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Town of New Augusta, Mississippi, in a separate letter dated January 29, 2008.

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



KING CPA, PLLC

January 29, 2008

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

American Institute of
Certified Public Accountants

King CPA, PLLC

Mississippi Society of
Certified Public Accountants

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

Honorable Mayor and Board of Aldermen
Town of New Augusta
New Augusta, Mississippi

We have audited the financial statements of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2007, and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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 combined statement of cash receipts and disbursements are included the accompanying schedule of findings and questioned costs.

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 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.



KING CPA, PLLC
January 29, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**TOWN OF NEW AUGUSTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section 1: Financial Statement Findings

Finding 2007-1: Lack of Segregation of Duties and Review Procedures

Due to the size of the Town, lack of segregation of duties constitutes a material weakness in internal control. The Town is very small which limits the extent of segregation of duties of all employees. As a result of this we noted the following conditions:

- a. IRS forms 941's were filed incorrectly and payroll taxes not paid timely.
- b. Water customers allowed service beyond the cutoff policy.
- c. Water customer receivable balances not accurate.
- d. Sales taxes incorrectly charged to water customers.
- e. Court fines not properly documented and deposited.
- f. Invoices for goods and services not documented as received.

Finding 2007-2: Bank Statements not Reconciled

We noted the bank accounts are not being reconciled to the general ledger. This results in transactions occurring but not being recorded in the Town's accounting system.

Finding 2007-3: Donations

Donations are restricted to those specifically authorized by law under Section 21-17-5, Section 21-19-45 through 21-19-59. The Town made a \$300 donation to an individual which is not authorized by law.

Finding 2007-4: Fixed Assets

Section II of the Municipal Audit and Accounting Guide provide prescribed procedures for accounting for fixed assets. The Town's fixed asset records do not include the property control number, date acquired or cost of the assets.

Finding 2007-5 Privilege Taxes

Section 27-17-5 requires municipalities to collect local privilege taxes from all businesses located within the municipality, except those exempted. The Town did not collect the taxes from all non-exempt businesses and did not document the exemption of businesses.

Finding 2007-6 Municipal Fire Protection Funds

Section 83-1-37 requires municipalities to spend State Fire Protection funds for specific purposes only to improve the municipal fire departments and to submit an annual report of compliance. The Town did not receive approximately \$6,000 of Municipal Fire Protection Funds during fiscal year end September 30, 2007 for failing to properly spend the monies and or file the annual report.