



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



TOWN OF WALNUT GROVE, MISSISSIPPI

AUDIT REPORT

September 30, 2009

RECEIVED  
SEP 14 2010  
STATE AUDITORS OFFICE

TOWN OF WALNUT GROVE, MISSISSIPPI  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Financial Statement:	
Independent Auditors' Report on the Combined Statement of Cash Receipts and Disbursements and Supplemental Information	1 - 2
Combined Statement of Cash Receipts and Disbursements	4 - 5
Notes to Financial Statement	6 - 12
Supplemental Information:	13
Schedule of Long-Term Debt	14
Schedule of Investments – All Funds	15
Schedule of Capital Assets	16
Schedule of Surety Bonds for Town Officials	17
Schedule of Expenditures of Federal Awards	18
Independent Auditors' Report on Compliance with State Laws And Regulations	19 -20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 -23
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	24 - 26
Schedule of Findings	27 - 30

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

# Butchart, Ellzey & Associates

A Professional Corporation  
Jackson & Canton

Thomas B. Butchart, CPA, MBT  
William S. Ellzey, CPA

Honorable Mayor and Board of Aldermen  
Town of Walnut Grove  
Walnut Grove, Mississippi

We have audited the accompanying combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, for the year ended September 30, 2009. The combined statement of cash receipts and disbursements is the responsibility of the Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on the combined statement of cash receipts and disbursements 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 more fully in Note 1, Town of Walnut Grove, Mississippi, has prepared this financial statement using accounting practices prescribed or permitted for towns with population of 3,000 or less by State of Mississippi Office of State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Post Office Box 629  
729 East Center Street  
Canton, MS 39044-0629  
Telephone (601) 859-3275  
Telephone (601) 944-4694  
Fax (601) 859-3260  
butchartellzey@bellsouth.net

Member AICPA Private Companies Practice Section

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the combined statement of cash receipts and disbursements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Town of Walnut Grove, Mississippi, as of September 30, 2009, the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the Town of Walnut Grove, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statement.

In our opinion, the combined statement of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of each fund of Town of Walnut Grove, Mississippi for the year ended September 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2010, on our consideration of the Town of Walnut Grove, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined statement of cash receipts and disbursements taken as a whole. The accompanying schedule of long-term debt, schedule of investments, schedule of capital assets, and schedule of surety bonds for municipal officials are presented for the purpose of additional analysis and are not a required part of the combined statement of cash receipts and disbursements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the combined statement of cash receipts and disbursements and, in our opinion, are fairly stated in all material respects in relation to the combined statement of cash receipts and disbursements taken as a whole.

*Butchart, Slizay & Associates*

Canton, Mississippi  
August 16, 2010

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS



TOWN OF WALNUT GROVE, MISSISSIPPI

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUND TYPES)

For the Fiscal Year Ended September 30, 2009

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2009</u>	<u>2008</u>
<b><u>Revenue Receipts:</u></b>				
General Property Taxes	\$ 33,731	\$ -	\$ 33,731	\$ 29,277
Penalties and Interest on Delinquent Taxes	373		373	337
Licenses and Permits	2,875		2,875	789
In Lieu of Taxes and Impact Fees	166,465		166,465	120,291
Public Utility Franchise	18,493		18,493	19,399
<b>Intergovernmental Revenues:</b>				
Hurricane Katrina CDBG	725,410		725,410	-
<b>State Shared Revenues:</b>				
General Municipal Aid	254		254	254
Sales Tax	69,701		69,701	68,896
Gasoline Tax	1,342		1,342	1,342
Health Department	-		-	12,679
Public Safety	7,940		7,940	5,465
Fire Insurance Premium Tax Distribution	2,579		2,579	2,527
Homestead Exemption	3,235		3,235	3,276
TVA in Lieu of Taxes	7,573		7,573	7,883
<b>County Revenue:</b>				
Auto Advalorem	7,460		7,460	18,207
Regular Advalorem	17,985		17,985	10,442
Fire Protection	10,218		10,218	9,890
<b>Charges for Services:</b>				
Gas Utility		1,077,202	1,077,202	1,076,148
Water and Sewer Utility		212,243	212,243	211,061
Garbage Fees	23,196		23,196	24,462
Police Fines	8,230		8,230	(1,036)
Rental Income	16,500		16,500	18,000
Interest Income	465	1,258	1,723	1,938
Recreational Funds	15,000		15,000	18,000
Other Income	1,030	300	1,330	30
	<u>1,140,055</u>	<u>1,291,003</u>	<u>2,431,058</u>	<u>1,659,557</u>
<b>Total Receipts</b>	<b>\$ 1,140,055</b>	<b>\$ 1,291,003</b>	<b>\$ 2,431,058</b>	<b>\$ 1,659,557</b>
<b><u>Other Receipts:</u></b>				
Capital Lease Obligations	\$ 56,970	\$ -	\$ 56,970	\$ -
Loans and Transfers	63,136	7,153	70,289	68,162
	<u>120,106</u>	<u>7,153</u>	<u>127,259</u>	<u>68,162</u>
<b>Total Other Receipts</b>	<b>\$ 120,106</b>	<b>\$ 7,153</b>	<b>\$ 127,259</b>	<b>\$ 68,162</b>
<b>Total Receipts</b>	<b>\$ 1,260,161</b>	<b>\$ 1,298,156</b>	<b>\$ 2,558,317</b>	<b>\$ 1,727,719</b>
Cash Balance - Beginning of Year	<u>176,269</u>	<u>233,020</u>	<u>409,289</u>	<u>283,967</u>
<b>TOTAL AMOUNT TO ACCOUNT FOR</b>	<b>\$ 1,436,430</b>	<b>\$ 1,531,176</b>	<b>\$ 2,967,606</b>	<b>\$ 2,011,686</b>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUND TYPES)

For the Fiscal Year Ended September 30, 2009

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2009</u>	<u>2008</u>
<u>Operating Disbursements:</u>				
General Government (Executive and Financial)				
Personnel	\$ 80,277	\$ -	\$ 80,277	\$ 78,376
Other	66,083		66,083	42,121
Public Safety:				
Police				
Salaries	136,303		136,303	123,714
Court fees, jail costs, supplies	35,986		35,986	29,739
Fire	3,321		3,321	5,998
Highways and Streets:				
Lights and Maintenance	17,704		17,704	14,580
Sanitation - Garbage Collection	5,633		5,633	7,741
Culture and Recreation:				
Ball fields	-		-	85
Libraries	44,282		44,282	40,320
Enterprises:				
Water and Sewer Utility:				
Personnel		34,327	34,327	34,768
Maintenance and Power		102,561	102,561	81,666
Chemicals		14,844	14,844	19,107
Other		6,491	6,491	5,832
Gas Utility:				
Personnel		225,006	225,006	187,118
Gas Purchases		529,288	529,288	530,225
Maintenance and Power		63,260	63,260	67,806
Chemicals		6,254	6,254	8,799
Other		92,654	92,654	98,517
Interest on Loans	245	13,176	13,421	13,730
COPS Grant Repayment	3,273	-	3,273	3,891
	<u>393,107</u>	<u>1,087,861</u>	<u>1,480,968</u>	<u>1,394,133</u>
Total Operating Disbursements	<u>\$ 393,107</u>	<u>\$ 1,087,861</u>	<u>\$ 1,480,968</u>	<u>\$ 1,394,133</u>
<u>Other Disbursements:</u>				
Bank Loans/ Capital Leases Paid	\$ 6,843	\$ 45,139	\$ 51,982	\$ 115,998
Capital Outlay	800,492	32,356	832,848	24,104
Loans and Transfers	-	70,289	70,289	68,162
	<u>807,335</u>	<u>147,784</u>	<u>955,119</u>	<u>208,264</u>
Total Other Disbursements	<u>\$ 807,335</u>	<u>\$ 147,784</u>	<u>\$ 955,119</u>	<u>\$ 208,264</u>
	<u>\$ 1,200,442</u>	<u>\$ 1,235,645</u>	<u>\$ 2,436,087</u>	<u>\$ 1,602,397</u>
Total Disbursements	<u>\$ 1,200,442</u>	<u>\$ 1,235,645</u>	<u>\$ 2,436,087</u>	<u>\$ 1,602,397</u>
Cash Balance - End of Year	<u>235,988</u>	<u>295,531</u>	<u>531,519</u>	<u>409,289</u>
TOTAL AMOUNT ACCOUNTED FOR	<u>\$ 1,436,430</u>	<u>\$ 1,531,176</u>	<u>\$ 2,967,606</u>	<u>\$ 2,011,686</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Town of Walnut Grove, Mississippi, is a municipal corporation governed by an elected Mayor and a five member Board of Aldermen. The Town provides services as follows: general government, public safety – police, public safety – fire, streets, culture and recreation, public property, water, sewer, gas and sanitation. The Town is subject to the legal budgetary and audit requirements of the Mississippi Department of Audit for municipalities with a population of 3,000 or less.

The accompanying statement of cash receipts and disbursements – governmental and business-type funds consist of all funds of the Town. The Town does not have any potential component units that are material to the statement of cash receipts and disbursements – governmental and business-type funds.

FUND ACCOUNTING

The accounts of the Town 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, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into the following categories: governmental and proprietary.

GOVERNMENTAL FUNDS

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

Two Special Revenue Funds, the Street Tax Fund and the Fire Protection Fund, are included in the General Fund because of their immaterial amounts.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

BASIS OF ACCOUNTING

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor requires management to make estimates and assumptions that affect and reported amounts of assets and liabilities and disclosures 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.

ENCUMBRANCES

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

COMPENSATED ABSENCES

The Town of Walnut Grove, Mississippi has a policy of providing one week to three weeks of vacation for full time employees per year depending on length of service. The unused vacation available for carryover at year end may not exceed four weeks.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT AND EQUIPMENT

GENERAL FIXED ASSETS ACCOUNT GROUP

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The Town has not estimated the historical cost of its public domain (“infrastructure”) general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

REPORT CLASSIFICATIONS

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable on January 1. The Town bills and collects its own property taxes. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2009 was 1.325 per \$100.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2009, the carrying amount of the Town's deposits was \$531,519, and the bank balance was \$712,361. 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 Town's investments consist solely of certificates of deposit-Category 1 type investments.

NOTE 3 – LEASE REVENUE

The Town leases buildings under short-term operating leases.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description. Town of Walnut Grove contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and Town of Walnut Grove is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. Town of Walnut Grove's contributions to PERS for the years ended September 30, 2009, 2008 and 2007 were \$37,523, \$33,077, and \$30,566 respectively, equal to the required contributions for each year.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 5 – CHANGES IN LONG-TERM DEBT

The following is a summary of notes payable transactions of the Town for the year ended September 30, 2009.

WATER AND SEWER FUND

Balance of notes payable at October 1, 2008	\$319,712
Principal payments made during the year:	
Trustmark	( 14,976)
Mississippi Department of Economic & Community Development	( <u>30,163</u> )
Balance of Notes Payable at 9/30/09	<u>\$274,573</u>

Long-term debt at September 30, 2009 consisted of the following:

4.07% note payable to Trustmark, due in five annual installments of \$16,880, beginning October 7, 2006.	\$ 31,806
3 % note payable to Mississippi Department of Economic and Community Development, due in 180 monthly installments of \$3453, beginning February 1, 2000.	<u>242,767</u>
	\$274,573
Less current portion	<u>50,334</u>
Long-term Debt	<u>\$224,239</u>

These notes are expected to be repaid from water and sewer revenues generated by the Youth Correctional Facility.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

The annual requirements to amortize the outstanding debt is as follows:

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 50,334	\$ 7,981	\$ 58,315
2011	52,025	6,290	58,315
2012	36,894	4,541	41,435
2013	38,016	3,419	41,435
2014	39,172	2,263	41,435
Thereafter	<u>58,132</u>	<u>574</u>	<u>58,706</u>
	<u>\$274,573</u>	<u>\$ 25,068</u>	<u>\$299,641</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Balance of outstanding debt at October 1, 2009	\$ 15,536
Capital lease obligation incurred during year	56,970
Principal payments made during year	( <u>10,117</u> )
Balance of outstanding debt at September 30, 2009	<u>\$ 62,389</u>

Long-term debt at September 30, 2009 consisted of the following:

1.0% Note to repay COPS grant, due in 60 monthly payments of \$334.59 through March 2011.	\$ 6,963
3.25% Capital lease on patrol car due in 48 monthly payments of \$891.71 through February 2009.	-0-
3.4% Capital lease on two patrol cars and one service truck, due in 36 monthly payments of \$1,665.62 through August 2012.	<u>55,426</u>
	\$ 62,389
Less current portion	<u>23,350</u>
Long-term Debt	<u>\$ 39,039</u>



TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2009

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

The annual requirements to amortize the outstanding debt is as follows:

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 23,350	\$ 1,657	\$ 25,007
2011	21,026	970	21,996
2012	<u>18,013</u>	<u>308</u>	<u>18,321</u>
	<u>\$ 62,389</u>	<u>\$ 2,935</u>	<u>\$ 65,324</u>

NOTE 6 – COMMUNITY DEVELOPMENT BLOCK GRANT

The Town of Walnut Grove has been approved for a Hurricane Katrina Supplemental Community Development Block Grant to be used in making improvements to its lagoon system. The total amount of the grant consists of \$916,680 of federal funds. During the year ended September 30, 2009 the Town received and expended \$725,410 of these grants.

NOTE 7 – CONTINGENT LIABILITIES

GRANT AUDIT

The Town receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of Town management, such disallowances, if any, will not be significant.

RISK MANAGEMENT

The Town of Walnut Grove, Mississippi is exposed to various risks of loss related to torts; errors and omissions; injuries to employees; and natural disasters. The Town of Walnut Grove, Mississippi carries commercial insurance for these risks. Settled claims resulting from these insured risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

TOWN OF WALNUT

SUPPLEMENTARY SCHEDULE OF LONG

September 30,

	<u>INTEREST</u>		<u>ISSUE</u>
	<u>RATES</u>	<u>PAYMENT</u> <u>DATES</u>	<u>DATE</u>
<u>WATER AND SEWER FUND</u>			
<u>OTHER LONG-TERM DEBT</u>			
Note payable - Trustmark	4.07%	annually	10/7/2005
Note payable - MS. Department of Economic and Community Development (Total Loan \$500,000)	3.00%	monthly	7/14/00
TOTAL LONG-TERM DEBT WATER AND SEWER FUND			
<u>GENERAL LONG-TERM DEBT GROUP</u>			
COPS grant repayment obligation	1.00%	monthly	2/15/06
Capital lease obligation	3.25%	monthly	2/15/05
Capital lease obligation	3.40%	monthly	8/18/09
TOTAL LONG-TERM DEBT - GENERAL LONG-TERM DEBT GROUP			
TOTAL LONG-TERM DEBT			

GROVE, MISSISSIPPI

TERM DEBT - ALL FUNDS

2009

<u>FINAL MATURITY DATE</u>	<u>BALANCE OUTSTANDING 10/1/2008</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE OUTSTANDING 9/30/2009</u>
10/7/2010	\$ 46,782	\$ -	\$ 14,976	\$ 31,806
1/1/2016	\$ 272,930	\$ -	\$ 30,163	\$ 242,767
	\$ 319,712	\$ -	\$ 45,139	\$ 274,573
3/1/2011	\$ 10,236	\$ -	\$ 3,273	\$ 6,963
2/15/2009	\$ 5,300	\$ -	\$ 5,300	\$ -
8/10/2012	\$ -	\$ 56,970	\$ 1,544	\$ 55,426
	\$ 15,536	\$ 56,970	\$ 10,117	\$ 62,389
	\$ 335,248	\$ 56,970	\$ 55,256	\$ 336,962

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF INVESTMENTS – ALL FUNDS

For The Year Ended September 30, 2009

<u>OWNERSHIP</u>	<u>TYPE OF INVESTMENT</u>	<u>INTEREST RATE</u>	<u>ACQUISITION DATE</u>	<u>MATURITY DATE</u>	<u>OTHER INFORMATION</u>	<u>INVESTMENT COST/VALUE</u>
Enterprise Fund - Water Dept.	Certificate of Deposit	1.75%	9/10/09	9/10/10	Bank of Walnut Grove	\$ 3,000
Enterprise Fund - Gas System	Certificate of Deposit	1.75%	8/29/09	8/29/10	Bank of Walnut Grove	\$20,000
Gas System	- Certificate of Deposit	1.75%	9/12/09	9/12/10	Bank of Walnut Grove	<u>\$24,331</u>
TOTAL INVESTMENTS:						<u>\$47,331</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS

For the Year Ended September 30, 2009

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land	\$ 84,829			\$ 84,829
Buildings	373,864	2,839		376,703
Machinery and Equipment	353,171	72,243	20,043	405,371
Construction in process	<u>-0-</u>	<u>725,410</u>		<u>725,410</u>
Total Governmental activities capital assets	<u>\$ 811,864</u>	<u>\$ 800,492</u>	<u>\$ 20,043</u>	<u>\$1,592,313</u>
Business-type activities				
Capital Assets:				
Land	\$ 237,071			\$ 237,071
Buildings	80,545			80,545
Machinery and Equipment	258,148	32,356		290,504
Gas system	660,309			660,309
Water and sewer system	<u>3,763,626</u>			<u>3,763,626</u>
Total Business-type activities capital assets	<u>\$4,999,699</u>	<u>\$ 32,356</u>	<u>\$ -0-</u>	<u>\$5,032,055</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SUPPLEMENTARY SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS

September 30, 2009

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Grady Sims	Mayor	MS Municipal Board Program	25,000
Paula Jones-Putnam	Town Clerk	Brierfield Insurance	50,000
Jerry Millsaps	Utilities Manager	Western Surety Co.	1,000
Joseph Lee	Deputy Marshall	Brierfield Insurance	25,000
Carey Thomas	Marshall	Brierfield Insurance	50,000
Chiquitia Cooks	Deputy Marshall	Brierfield Insurance	25,000
Jimmy Lewis	Deputy Marshall	Brierfield Insurance	25,000
Brent King	City Manager	Brierfield Insurance	1,000
James Gomillion	Alderman	MS Municipal Board Program	10,000
David Dumas	Alderman	MS Municipal Board Program	10,000
Pamela Gill	Alderman	MS Municipal Board Program	10,000
Jerry Darby	Alderman	MS Municipal Board Program	10,000
Marvin Jones	Alderman	MS Municipal Board Program	10,000

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended September 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing & Urban Development:			
Pass-through programs from:			
Mississippi Development Authority Community Development Black Grant State Program	14.219 14.228	R-110-376-01-GZ CDBG 2007	<u>\$725,410</u>
Total Expenditures of Federal Awards			<u>\$725,410</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Walnut Grove, Mississippi and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



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

# Butchart, Ellzey & Associates

A Professional Corporation  
Jackson & Canton

Thomas B. Butchart, CPA, MET  
William S. Ellzey, CPA

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

Honorable Mayor and Board of Alderman  
Town of Walnut Grove, Mississippi  
Walnut Grove, Mississippi

We have audited the combined statement of cash receipts and disbursements and supplemental information of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2009, and have issued our report dated August 16, 2010. We have 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 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 and supplemental information disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are described as the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3.

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.

*Butchart, Ellzey & Associates*

Canton, Mississippi  
August 16, 2010

Post Office Box 629  
729 East Center Street  
Canton, MS 39046-0629  
Telephone (601) 859-3275  
Telephone (601) 948-4694  
Fax (601) 859-3260  
[butchartellzey@bellsouth.net](mailto:butchartellzey@bellsouth.net)

Member AICPA Private Companies Practice Section

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*

# Butchart, Ellzey & Associates

A Professional Corporation  
Jackson & Canton

Thomas B. Butchart, CPA, MBT  
William S. Ellzey, CPA

## 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*

To the Mayor and Board of Aldermen  
Town of Walnut Grove, Mississippi

We have audited the combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2009, and have issued our report thereon dated August 16, 2010. The report on the 2009 combined statement of cash receipts and disbursements stated the financial statement was presented using the cash receipts and disbursements regulatory basis of accounting prescribed or permitted for towns with populations of 3,000 or less by the State of Mississippi Office of State Auditor. The effect on the combined statement of cash receipts and disbursements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. Except as discussed in the previous sentence, 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 Town of Walnut Grove, 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 of Walnut Grove, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Walnut Grove, 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 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.

Post Office Box 629  
729 East Center Street  
Canton, MS 39046-0629  
Telephone (601) 859-3275  
Telephone (601) 948-4694  
Fax (601) 859-3260  
butchartellzey@bellsouth.net

Member AICPA Private Companies Practice Section

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 of Walnut Grove, Mississippi'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 of Walnut Grove, Mississippi's statement of cash receipts and disbursements – governmental and business-type funds that is more than inconsequential will not be prevented or detected by the Town of Walnut Grove, Mississippi's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. This finding is labeled as item 2009-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the statement of cash receipts and disbursements – governmental and business-type funds will not be prevented or detected by the Town of Walnut Grove, Mississippi'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, we consider the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

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

Town of Walnut Grove, Mississippi's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Walnut Grove, Mississippi's response and, accordingly, we express no opinion on it.

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

*Butchart, Elly & Associates*

Canton, Mississippi  
August 16, 2010

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

# Butchart, Ellzey & Associates

A Professional Corporation  
Jackson & Canton

Thomas B. Butchart, CPA, MBT  
William S. Ellzey, CPA

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

The Honorable Mayor and Board of Aldermen  
Town of Walnut Grove  
Walnut Grove, Mississippi

### Compliance

We have audited the compliance of the Town of Walnut Grove, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2009. The Town of Walnut Grove, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on the Town of Walnut Grove, Mississippi's compliance based on our audit.

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

Post Office Box 629  
729 East Center Street  
Canton, MS 39046-0629  
Telephone (601) 859-2275  
Telephone (601) 948-4694  
Fax (601) 859-2260  
[butchartellzey@bellsouth.net](mailto:butchartellzey@bellsouth.net)

Member AICPA Private Companies Practice Section

In our opinion, the Town of Walnut Grove, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

#### Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Butchart, S/1/2/10 + Associates*

Canton, Mississippi  
August 16, 2010



SCHEDULE OF FINDINGS

TOWN OF WALNUT GROVE, MISSISSIPPI  
SCHEDULE OF FINDINGS and QUESTIONED COSTS  
For the Year Ended September 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report states that the statement of cash receipts and disbursements combined is not presented fairly in conformity with accounting principles generally accepted in the United States of America but expresses an unqualified opinion on the regulatory basis combined statement of cash receipts and disbursements.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This condition is reported as a material weakness.
3. No instance of noncompliance material to the regulatory basis financial statements of the Town of Walnut Grove was disclosed during the audit. There were two findings of non-compliance with state laws and regulations.
4. The audit did not disclose any material weakness in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under section .510(a) of OMB Circular A-133.
7. The program tested as a major program included CFDA number 14.228 U.S. Department of Housing and Urban Development, Community Development Block Grants/State's Program.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Town of Walnut Grove, Mississippi did not qualify as a low-risk auditee.

TOWN OF WALNUT GROVE, MISSISSIPPI  
SCHEDULE OF FINDINGS and QUESTIONED COSTS  
For the Year Ended September 30, 2009

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency Number 2009-1

Condition: The current size of the Town's workforce limits the ability to employ adequate segregation of duties among the accounting functions. Most office duties are performed by the Town Clerk.

Criteria: Internal controls should be in place to require a segregation of duties among accounting functions. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Recommendation: The Town should have a segregation of duties among accounting functions; however, we recognize the expenses of acquiring the additional employees might be prohibitive. The Mayor and Board of Aldermen should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: The Town concurs with the recommendation.

COMPLIANCE WITH STATE LAWS AND REGULATIONS

Finding Number 2009-2

Finding The Town did not conduct an annual inventory of its assets in accordance with guidelines established by the Office of The State Auditor.

Recommendation: We recommend that the Town complies with the requirements to conduct an annual inventory of its assets.

Response: The Town will comply with the requirement for the next fiscal year end.

TOWN OF WALNUT GROVE, MISSISSIPPI  
SCHEDULE OF FINDINGS and QUESTIONED COSTS  
For the Year Ended September 30, 2009

COMPLIANCE WITH STATE LAWS AND REGULATIONS - CONTINUED

Finding Number 2009-3

Finding The Town's expenditures exceeded its budget estimates in several line items.

Recommendation: We recommend that the budget be amended prior to expenditures exceeding the budget.

Response: The Town will amend future budgets prior to expenditures exceeding the budgeted amount.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings related to the federal awards programs for the fiscal year ended September 30, 2009.