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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2010

RECEIVED
OCT 24 2011

Franks, Franks & Jarrell, P.A.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi as of September 30, 2010, and for the year then ended, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Byhalia, Mississippi's management. Our responsibility is to express an opinion on these basic 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.

The Town of Byhalia, Mississippi does not maintain subsidiary records on procedures related to inventories in the business-type activities. Due to the lack of adequate subsidiary records, we were unable to satisfy ourselves as to the fair presentation of the inventories of the business-type activities of the Town of Byhalia, Mississippi at September 30, 2010.

In our opinion, except for the lack of adequate subsidiary records and procedures over inventories, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Byhalia, Mississippi as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, on our consideration of the Town of Byhalia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Byhalia, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other supplemental information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Franks, Franks & Jarrell P.A.

FRANKS, FRANKS & JARRELL, P.A.
August 15, 2011

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2010

This section of the Town of Byhalia's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2010. Please read it in conjunction with the Town of Byhalia financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at September 30, 2010 and 2009 by \$7,143,457 and \$6,258,116. Of this amount, \$1,450,559 and \$1,236,287 may be used to meet the Town of Byhalia's ongoing obligations to citizens and creditors.
- As of September 30, 2010 and 2009, the Town of Byhalia governmental funds reported combined ending fund balances of \$1,027,096 and \$925,862, an increase of \$101,234 and \$724,956 in comparison to the prior years. Approximately 100% of the combined fund balances, \$1,027,096 and \$925,862 is considered unreserved and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt as of September 30, 2010 and 2009 was \$2,138,588 and \$2,036,459. Debt in the amount of \$375,461 and \$0 was issued during the years ended September 30, 2010 and 2009, all of which was issued for governmental fund capital assets. Debt in the amount of \$273,332 and \$297,107 was repaid during the year ended September 30, 2010 and 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two types of statements that present different views of the Town of Byhalia.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town of Byhalia's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town of Byhalia's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The Town of Byhalia has two Governmental Fund types: the General and Special Revenue.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water, Sewer and Gas System funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the Town of Byhalia's financial statements, including the portion of the Town of Byhalia they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the Town of Byhalia's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town Government (except fiduciary funds) and the Town's component units.	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the Town operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets' Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the Town of Byhalia as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town of Byhalia's net assets and how they have changed. Net assets—the difference between the Town of Byhalia's assets and liabilities—is one way to measure the Town of Byhalia's financial health, or position.

- Over time, increases or decreases in the Town of Byhalia's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town of Byhalia, the reader should consider additional non-financial factors such as changes in the Town of Byhalia's property tax base.
- *Governmental activities* –Most of the Town of Byhalia's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The Town of Byhalia charges fees to customers to help it cover the costs of certain services it provides. The Town of Byhalia's water, sewer and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town of Byhalia's most significant funds—not the Town as a whole. The "fund" level is where the basic unit of financial organization and operation within the Town of Byhalia exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Byhalia has two types of funds:

- **Governmental funds**—most of the Town of Byhalia's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town of Byhalia's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The Town of Byhalia utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the Town of Byhalia charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Town has only one type of proprietary funds—enterprise funds. The Town of Byhalia's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Fund Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Byhalia's assets exceeded liabilities by \$7,143,457 at the close of the most recent fiscal year, compared to \$6,258,116 in the prior year.

A large portion, 80 percent and 80 percent, of the Town's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

Town of Byhalia's Net Assets (000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 1,724	\$ 1,647	\$ 1,153	\$ 1,088	\$ 2,877	\$ 2,735
Non-current Assets	3,323	2,826	4,511	4,234	7,834	7,060
Total Assets	5,047	4,473	5,664	5,322	10,711	9,795
Current and Other Liabilities	619	664	1,085	1,106	1,704	1,770
Long-Term Liabilities	842	858	1,021	909	1,863	1,767
Total Liabilities	1,461	1,522	2,106	2,015	3,567	3,537
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	2,378	1,862	3,315	3,160	5,693	5,022
Unrestricted	1,208	1,089	243	147	1,451	1,236
Total Net Assets	\$ 3,586	\$ 2,951	\$ 3,558	\$ 3,307	\$ 7,144	\$ 6,258

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The \$1,450,559 and \$1,236,287 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net assets of our business-type activities were \$243,110 at the end of the current fiscal year compared to \$147,452 at the end of the prior fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The Town of Byhalia generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets: Approximately 11.12 percent and 10.10 percent of the Town of Byhalia's revenue comes from property taxes, with 25.36 percent and 23.16 percent of all revenue coming from some type of tax for the years ended September 30, 2010 and 2009. (See Table A-2.) Another 48.44 percent and 45.74 percent comes from fees charged for services, 0.00 percent and 16.06 percent comes from gain on the sale of assets, 18.03 percent and 8.07 percent from operating and capital grants and contributions and the balance is from investment earnings and other miscellaneous receipts.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Changes in the Town of Byhalla's Net Assets
(000's Omitted)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 209	\$ 191	\$ 1,886	\$ 2,047	\$ 2,095	\$ 2,238
Operating Grants & Contributions	42	0	0	0	42	0
Capital Grants & Contributions	523	0	215	0	738	0
General Revenues:						
Property Taxes	481	494	0	0	481	494
Other Taxes	616	639	0	0	616	639
Capital Grants	0	395	0	0	0	395
Intergovernmental Revenues	282	287	0	0	282	287
Gain on Sale of Assets	0	786	0	0	0	786
Investment Income	19	5	2	1	21	6
Other	50	48	0	0	50	48
Total Revenues	<u>2,222</u>	<u>2,845</u>	<u>2,103</u>	<u>2,048</u>	<u>4,325</u>	<u>4,893</u>
Expenses						
General Government	349	387	0	0	349	387
Public Safety	1,129	1,069	0	0	1,129	1,069
Public Works	307	303	0	0	307	303
Culture & Recreation	7	6	0	0	7	6
Debt Service	52	51	0	0	52	51
Water, Sewer, & Gas System	0	0	1,596	1,780	1,596	1,780
Total Expenses	<u>1,844</u>	<u>1,816</u>	<u>1,596</u>	<u>1,780</u>	<u>3,440</u>	<u>3,596</u>
Excess of Revenue Over Expenses	378	1,029	507	268	885	1,297
Transfers	257	162	(257)	(162)	0	0
Increase (Decrease) in Net Assets	<u>635</u>	<u>1,191</u>	<u>250</u>	<u>106</u>	<u>885</u>	<u>1,297</u>
Net Assets—Beginning	<u>2,951</u>	<u>1,760</u>	<u>3,307</u>	<u>3,201</u>	<u>6,258</u>	<u>4,961</u>
Net Assets—Ending	<u>\$ 3,586</u>	<u>\$ 2,951</u>	<u>\$ 3,557</u>	<u>\$ 3,307</u>	<u>\$ 7,143</u>	<u>\$ 6,258</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased (decreased) the Town's net assets by \$634,742 and \$1,190,903, thereby accounting for 71.69 percent and 91.83 percent of the total change in the net assets of the Town for the years ended September 30, 2010 and 2009. Key elements of this increase are as follows:

The largest funding sources for the Town's governmental activities, as a percent of total revenues, are other taxes (28%) and (22%), capital grants and contributions (24%) and (0%), property taxes (22%) and (17%), intergovernmental revenues (13%) and (10%) and charges for services (9%) and (7%) for the years ended September 30, 2010 and 2009.

The largest expense category for the Town's governmental activities is public safety (61%) and (59%) for the years ended September 30, 2010 and 2009.

Business-type Activities

Business-type activities increased (decreased) the Town's net assets by \$250,599 and \$106,116 for the years ended September 30, 2010 and 2009.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$1,885,669 and \$2,046,673 for water, sewer and gas system charges for services for the years ended September 30, 2010 and 2009.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the Town. At the end of the most recent fiscal years ended, unreserved fund balance of the general fund was \$1,207,802 and \$1,116,719, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total fund balance represents 50 percent and 50 percent of total fund expenditures. The fund balance of the Town's general fund increased by \$91,083 and \$737,157 for the fiscal years ended September 30, 2010 and 2009.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. As of September 30, 2010 and 2009, the fund balance (deficit) was (\$180,706) and (\$190,857).

Proprietary Funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds as of September 30, 2010 and 2009, totaled \$3,557,812 and \$3,307,213.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

The Town's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The Town's 2009-10 general fund operating budget increased by approximately \$34,400 during the current fiscal year. This increase was primarily related to increases in capital outlay for general government and public safety and other services and charges expenditures for public works.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the Town has recorded depreciation expense associated with all of its capital assets, including infrastructure. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2010 and 2009, amounted to \$7,831,486 and \$7,058,288, net of accumulated depreciation of \$5,516,782 and \$5,157,888. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment and construction in progress.

Table A-3
Town of Byhalia's Capital assets
(000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 461	\$ 461	\$ 75	\$ 75	\$ 536	\$ 536
Plant, Buildings & Improvements	1,922	1,847	7,962	7,742	9,884	9,589
Machinery & Equipment	1,117	1,159	588	588	1,705	1,747
Construction in Progress	938	344	285	0	1,223	344
Accumulated Depreciation	(1,115)	(986)	(4,402)	(4,172)	(5,517)	(5,158)
Total	<u>\$ 3,323</u>	<u>\$ 2,825</u>	<u>\$ 4,508</u>	<u>\$ 4,233</u>	<u>\$ 7,831</u>	<u>\$ 7,058</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2010 and 2009, the Town had \$2,138,588 and \$2,036,459 in bonds and notes outstanding. More detailed information about the Town of Byhalia's long-term liabilities is presented in the notes to the financial statements.

Table A-4
Town of Byhalia's Outstanding Debt

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Bonds Payable	\$ 416,000	\$ 433,000	\$ 667,535	\$ 741,498	\$ 1,083,535	\$ 1,174,498
CAP Loans	90,000	0	59,248	81,265	149,248	81,265
Promissory Notes	402,546	407,592	467,248	250,146	869,794	657,738
Capital Leases Payable	36,011	122,958	0	0	36,011	122,958
Total	<u>\$ 944,557</u>	<u>\$ 963,550</u>	<u>\$ 1,194,031</u>	<u>\$ 1,072,909</u>	<u>\$ 2,138,588</u>	<u>\$ 2,036,459</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2011 budget. The total budgeted appropriations for the Town general fund operations is \$1,863,358. This budget reflects a decrease of approximately \$63,813. The decrease is primarily related to a decrease in the other services and charges and personal services expenditures.

CONTACTING THE TOWN OF BYHALIA FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town of Byhalia finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Byhalia's Finance Department, P.O. Box 412 Byhalia, MS 38611.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 974,566	\$ 361,556	\$ 1,336,122
Accounts Receivable	74,958	67,229	142,187
Court Fine Receivables	145,348	-	145,348
Other Receivables	35,005	-	35,005
Due From Other Funds	493,982	724,208	1,218,190
TOTAL CURRENT ASSETS	1,723,859	1,152,993	2,876,852
Noncurrent Assets:			
Bond Issue Costs, net of amortization	-	2,183	2,183
Capital Assets:			
Land	461,196	75,374	536,570
Plant, Buildings and Improvements	947,637	7,961,935	8,909,572
Machinery and Equipment	1,116,541	587,980	1,704,521
Construction in Progress	938,110	285,461	1,223,571
Infrastructure	974,034	-	974,034
Accumulated Depreciation	(1,114,765)	(4,402,017)	(5,516,782)
TOTAL NONCURRENT ASSETS	3,322,753	4,510,916	7,833,669
TOTAL ASSETS	\$ 5,046,612	\$ 5,663,909	\$ 10,710,521

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 41,391	\$ 30,318	\$ 71,709
Current Maturities of Long-Term Debt	102,321	173,091	275,412
Accrued Liabilities	23	18,243	18,266
Due to Other Funds	474,996	741,195	1,216,191
Refundable Meter Deposits	-	122,310	122,310
TOTAL CURRENT LIABILITIES	618,731	1,085,157	1,703,888
Noncurrent Liabilities:			
Long-Term Debt, net of current maturities	842,236	1,020,940	1,863,176
TOTAL NONCURRENT LIABILITIES	842,236	1,020,940	1,863,176
TOTAL LIABILITIES	1,460,967	2,106,097	3,567,064
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	2,378,196	3,314,702	5,692,898
Restricted for:			
Special Revenue Projects	-	-	-
Unrestricted	1,207,449	243,110	1,450,559
TOTAL NET ASSETS	\$ 3,585,645	\$ 3,557,812	\$ 7,143,457

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE
September 30, 2010

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Total	Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions		Capital Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions					
PRIMARY GOVERNMENT									
Government Activities:									
General Government	\$ 348,714	\$ -	\$ -	\$ -	\$ -	(348,714)	\$ -	(348,714)	
Public Safety	1,128,900	151,692	42,465	-	-	(934,743)	-	(934,743)	
Public Works	307,349	57,771	-	522,603	-	273,025	-	273,025	
Culture and Recreation	6,523	-	-	-	-	(6,523)	-	(6,523)	
Debt Service	52,357	-	-	-	-	(52,357)	-	(52,357)	
TOTAL GOVERNMENTAL ACTIVITIES	1,843,843	209,463	42,465	522,603	-	(1,069,312)	-	(1,069,312)	
Business-Type Activities:									
Water System	267,999	264,894	-	-	-	-	(3,105)	(3,105)	
Sewer System	190,995	240,212	-	-	-	-	49,217	49,217	
Gas System	1,136,893	1,380,563	-	215,340	-	-	459,010	459,010	
TOTAL BUSINESS-TYPE ACTIVITIES	1,595,887	1,885,669	-	215,340	-	-	505,122	505,122	
TOTAL PRIMARY GOVERNMENT	\$ 3,439,730	\$ 2,095,132	\$ 42,465	\$ 737,943	\$ 2,875,540	(1,069,312)	\$ 505,122	\$ (564,190)	

GENERAL REVENUES:

Taxes:								
Property Taxes	\$ 481,129	\$ -	\$ -	\$ -	\$ -	481,129	\$ -	481,129
Sales Taxes	518,444	-	-	-	-	518,444	-	518,444
Privilege and Franchise Taxes	54,898	-	-	-	-	54,898	-	54,898
Licenses and Permits	15,082	-	-	-	-	15,082	-	15,082
In Lieu Taxes	42,912	-	-	-	-	42,912	-	42,912
Intergovernmental Revenues	281,921	-	-	-	-	281,921	-	281,921
Grants and Contributions not Restricted to Specific Programs	-	-	-	-	-	-	-	-
Penalties and Late Fees	2,913	-	-	-	-	2,913	-	2,913
Investment Earnings	19,003	-	-	-	2,077	19,003	2,077	21,080
Gain on Sale of Assets	-	-	-	-	-	-	-	-
Miscellaneous	31,152	-	-	-	-	31,152	-	31,152
Transfers	256,600	-	-	-	(256,600)	256,600	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	1,704,054	-	-	(256,600)	(254,523)	1,449,531	-	1,449,531
CHANGE IN NET ASSETS	634,742	250,599	-	885,341	-	2,950,903	3,307,213	6,258,116
NET ASSETS--BEGINNING	3,585,645	3,557,812	3,557,812	7,143,457	7,143,457	3,585,645	3,557,812	7,143,457
NET ASSETS--ENDING	\$ 4,220,387	\$ 3,808,324	\$ 3,808,324	\$ 4,928,804	\$ 4,928,804	\$ 4,220,387	\$ 3,808,324	\$ 4,928,804

See accompanying notes to financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 921,141	\$ 53,425	\$ 974,566
Accounts Receivable	74,958	-	74,958
Other Receivables	-	-	-
Due from Other Funds	493,982	-	493,982
TOTAL ASSETS	\$ 1,490,081	\$ 53,425	\$ 1,543,506
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 38,129	\$ 3,262	\$ 41,391
Accrued Expenses	23	-	23
Due to Other Funds	244,127	230,869	474,996
TOTAL LIABILITIES	282,279	234,131	516,410
<u>FUND BALANCES:</u>			
Unrestricted:			
Special Revenue Funds	-	(180,706)	(180,706)
Undesignated	1,207,802	-	1,207,802
TOTAL FUND BALANCES	\$ 1,207,802	\$ (180,706)	\$ 1,027,096

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2010

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,027,096
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		3,322,753
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(944,557)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		35,005
Accrual of court fine revenues to qualify as financial resources.		145,348
		145,348
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	3,585,645

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

For the year ended September 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Ad Valorem Taxes	\$ 474,242	\$ -	\$ 474,242
Sales and Use Taxes	518,444	-	518,444
Privilege and Franchise Taxes	54,898	-	54,898
Licenses and Permits	15,082	-	15,082
In Lieu of Taxes	42,912	-	42,912
Intergovernmental Revenues	245,476	36,445	281,921
Garbage Services	57,771	-	57,771
Penalties and Late Fees	2,913	-	2,913
Fines and Forfeits	141,199	-	141,199
Interest Revenues	18,795	208	19,003
Sale of Land and Equipment	0	-	0
Sale of Cemetery Lots	2,000	-	2,000
Grant Income	565,068	-	565,068
Miscellaneous Revenues	29,152	-	29,152
TOTAL REVENUES	<u>2,167,952</u>	<u>36,653</u>	<u>2,204,605</u>
EXPENDITURES:			
Current:			
General Government	902,619	-	902,619
Public Safety	1,031,023	26,502	1,057,525
Public Works	309,539	-	309,539
Culture and Recreation	18,938	-	18,938
Debt Service	161,350	-	161,350
TOTAL EXPENDITURES	<u>2,423,469</u>	<u>26,502</u>	<u>2,449,971</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(255,517)</u>	<u>10,151</u>	<u>(245,366)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	90,000	-	90,000
Transfers (to) from Other Funds	256,600	-	256,600
TOTAL OTHER FINANCING SOURCES (USES)	<u>346,600</u>	<u>-</u>	<u>346,600</u>
NET CHANGE IN FUND BALANCES	91,083	10,151	101,234
FUND BALANCES - Beginning	<u>1,116,719</u>	<u>(190,857)</u>	<u>925,862</u>
FUND BALANCES - Ending	<u>\$ 1,207,802</u>	<u>\$ (180,706)</u>	<u>\$ 1,027,096</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	101,234
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		625,571
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(128,436)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		10,493
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		6,887
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.		
Repayment of long - term debt		108,993
Proceeds from issuance of long - term debt		(90,000)
		634,742
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	634,742

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
September 30, 2010

	Water	Sewer	Gas	Total
ASSETS				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 100,785	\$ 91,474	\$ 169,297	\$ 361,556
Due From Other Funds	606,990	8,936	108,282	724,208
Accounts Receivable	23,619	23,561	20,049	67,229
Total Current Assets	<u>731,394</u>	<u>123,971</u>	<u>297,628</u>	<u>1,152,993</u>
<u>Fixed Assets</u>				
Water, Sewer, and Gas System, Buildings, Vehicles and Equipment	2,822,506	3,408,072	2,604,798	8,835,376
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	<u>(1,667,303)</u>	<u>(1,614,186)</u>	<u>(1,120,528)</u>	<u>(4,402,017)</u>
Net Fixed Assets	<u>1,162,937</u>	<u>1,850,526</u>	<u>1,495,270</u>	<u>4,508,733</u>
<u>Other Assets</u>				
Bond Issue Cost, net of amortization	<u>2,183</u>	<u>-</u>	<u>-</u>	<u>2,183</u>
Total Other Assets	<u>2,183</u>	<u>-</u>	<u>-</u>	<u>2,183</u>
TOTAL ASSETS	<u>\$ 1,896,514</u>	<u>\$ 1,974,497</u>	<u>\$ 1,792,898</u>	<u>\$ 5,663,909</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts Payable	\$ 9,534	\$ 2,354	\$ 18,430	\$ 30,318
Due to Other Funds	14,515	334,634	392,046	741,195
Refundable Meter Deposits	55,116	-	67,194	122,310
Accrued Liabilities	3,304	1,553	13,386	18,243
Notes, Bonds and Capital Leases Payable - Within One Year	<u>9,470</u>	<u>93,621</u>	<u>70,000</u>	<u>173,091</u>
Total Current Liabilities	<u>91,939</u>	<u>432,162</u>	<u>561,056</u>	<u>1,085,157</u>
<u>Long-Term Debt</u>				
Notes, Bonds and Capital Leases Payable Less Current Portion	<u>63,065</u>	<u>110,813</u>	<u>847,062</u>	<u>1,020,940</u>
<u>Net Assets</u>				
Invested in Capital Assets, net of related debt	1,090,402	1,646,092	578,208	3,314,702
Unrestricted Net Assets (Deficit)	<u>651,108</u>	<u>(214,570)</u>	<u>(193,428)</u>	<u>243,110</u>
Total Net Assets	<u>1,741,510</u>	<u>1,431,522</u>	<u>384,780</u>	<u>3,557,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,896,514</u>	<u>\$ 1,974,497</u>	<u>\$ 1,792,898</u>	<u>\$ 5,663,909</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For The Year ended September 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 237,517	\$ 225,054	\$ 1,328,973	\$ 1,791,544
Service Charges and Penalties	20,853	6,911	30,625	58,389
Other Receipts	6,524	8,247	20,965	35,736
Total operating revenues	<u>264,894</u>	<u>240,212</u>	<u>1,380,563</u>	<u>1,885,669</u>
Less: Gas Purchased	<u>-</u>	<u>-</u>	<u>704,862</u>	<u>704,862</u>
Net Income Before Operating Expenses	<u>264,894</u>	<u>240,212</u>	<u>675,701</u>	<u>1,180,807</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	60,999	39,567	244,741	345,307
Contractual Services	28,177	6,600	36,873	71,650
Supplies	21,538	5,948	20,726	48,212
Depreciation and Amortization	70,758	97,592	62,108	230,458
Other Services	82,148	31,469	31,716	145,333
Total operating expenses	<u>263,620</u>	<u>181,176</u>	<u>396,164</u>	<u>840,960</u>
Operating Income (Loss)	<u>1,274</u>	<u>59,036</u>	<u>279,537</u>	<u>339,847</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	419	336	1,322	2,077
Grant Income	-	-	215,340	215,340
Interest and Fiscal Charges	<u>(4,379)</u>	<u>(9,819)</u>	<u>(35,867)</u>	<u>(50,065)</u>
Total non-operating revenues (expenses)	<u>(3,960)</u>	<u>(9,483)</u>	<u>180,795</u>	<u>167,352</u>
<u>INCOME BEFORE OPERATING TRANSFERS</u>	<u>(2,686)</u>	<u>49,553</u>	<u>460,332</u>	<u>507,199</u>
Operating Transfers (Out)	<u>(24,600)</u>	<u>-</u>	<u>(232,000)</u>	<u>(256,600)</u>
NET INCOME (LOSS)	<u>(27,286)</u>	<u>49,553</u>	<u>228,332</u>	<u>250,599</u>
NET ASSETS (Deficit) - Beginning	<u>1,768,796</u>	<u>1,381,969</u>	<u>156,448</u>	<u>3,307,213</u>
NET ASSETS - Ending	<u>\$ 1,741,510</u>	<u>\$ 1,431,522</u>	<u>\$ 384,780</u>	<u>\$ 3,557,812</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 263,168	\$ 240,831	\$ 1,388,403	\$ 1,892,402
Cash Payments for Gas Purchases	-	-	(704,862)	(704,862)
Cash Payments for Personal Services	(59,501)	(39,271)	(245,545)	(344,317)
Cash Payments for Contractual Services	(28,177)	(6,600)	(36,873)	(71,650)
Cash Payments for Supplies	(17,431)	(5,948)	(20,726)	(44,105)
Cash Payments for Other Services	(82,148)	(30,137)	(39,553)	(151,838)
Net Cash Provided By Operating Activities	<u>75,911</u>	<u>158,875</u>	<u>340,844</u>	<u>575,630</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating Transfers - In from (Out) to Other Funds	(24,600)	(33,000)	(211,999)	(269,599)
Net Cash Flows Provided By (Used In)	<u>(24,600)</u>	<u>(33,000)</u>	<u>(211,999)</u>	<u>(269,599)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Fixed Assets	(4,784)	-	(501,737)	(506,521)
Principal Paid on Bonds and Notes Payable	(8,963)	(90,376)	(65,000)	(164,339)
Proceeds from Issuance of Debt	-	-	285,461	285,461
Contributed Capital Received - Grants	-	-	215,340	215,340
Interest Paid on Bonds and Notes Payable	(4,380)	(9,818)	(35,867)	(50,065)
Net Cash (Used In) Capital Financing Activities	<u>(18,127)</u>	<u>(100,194)</u>	<u>(101,803)</u>	<u>(220,124)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on Investments	419	336	1,322	2,077
Net Cash Provided By Investing Activities	<u>419</u>	<u>336</u>	<u>1,322</u>	<u>2,077</u>
NET INCREASE (DECREASE) IN CASH	33,603	26,017	28,364	87,984
CASH, BEGINNING	<u>67,182</u>	<u>65,457</u>	<u>140,933</u>	<u>273,572</u>
CASH, ENDING	<u>\$ 100,785</u>	<u>\$ 91,474</u>	<u>\$ 169,297</u>	<u>\$ 361,556</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 1,274	\$ 59,036	\$ 279,537	\$ 339,847
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities				
Depreciation and Amortization	70,758	97,592	62,108	230,458
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(3,140)	619	5,145	2,624
Increase (Decrease) in Accounts Payable - operating activities	4,107	1,332	(7,837)	(2,398)
Increase (Decrease) in Accrued Expenses - operating activities	1,498	296	(804)	990
Increase in Customer Deposits	1,414	-	2,695	4,109
Total Adjustments	<u>74,637</u>	<u>99,839</u>	<u>61,307</u>	<u>235,783</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 75,911</u>	<u>\$ 158,875</u>	<u>\$ 340,844</u>	<u>\$ 575,630</u>

See accompanying notes to financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2010**

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ <u>287</u>
TOTAL ASSETS	<u><u>287</u></u>
<u>LIABILITIES:</u>	
Payables to Others	<u>287</u>
TOTAL ASSETS	\$ <u><u>287</u></u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - Summary of Significant Accounting Policies

The Town of Byhalia, Mississippi was incorporated in 1873. The Town operates under a Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), streets, sanitation, culture, recreation, public improvements, planning and zoning, utilities, and general administrative services.

Government-Wide and Fund Financial Statements

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The Town reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

Additionally the Town reports the following governmental fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes, all of the special revenue funds are non-major funds.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

The Town reports the following major proprietary funds:

The Water, Sewer and Gas Funds – These funds are used to account for the Town's water and sewer treatment and distribution system as well as the gas distribution system. These funds are responsible for water and gas delivery to the residents of the Town of Byhalia.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund and refuse collection charges for the Solid Waste Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Change in Method of Accounting

Effective October 1, 2003, the Town adopted the provisions of the following standards issued by Governmental Accounting Standards Board (GASB):

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—of State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* – these statements establish new financial reporting requirements and significantly change the format and content of the financial statements. The new governmental reporting model has the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

GASB Statement No. 38, *Certain Financial Statements Note Disclosures* – this statement modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* – this interpretation clarifies the application of existing standards for modified accrual recognition of certain liabilities and expenditures in governmental funds.

Due to the implementation of GASB Statement No. 34, the prior year retained earnings and contributed capital for the enterprise funds were restated to reflect the net assets.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the General Debt Service and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - Summary of Significant Accounting Policies – Continued

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

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 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.

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest 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, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

The Town has an agreement with the County pursuant to which the tax collector of the County has assumed the duty and responsibility for billing and collecting all Town ad valorem taxes, including all taxes on real property, personal property and public utilities property by the Town.

The Town recognizes tax revenues upon collection of the taxes or upon collection from the county tax collector. In addition the Town makes an accrual for amounts collected by the county tax collector as of September 30 and remitted to the Town within 30 days after year end.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - Summary of Significant Accounting Policies – Continued

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the Town and are therefore a contingent liability to the general government.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Business Information

The Town of Byhalia provides gas, water, and sewer services to customers located within the Town limits of Byhalia, Mississippi as well as a limited number of customers outside the Town limits. Credit is extended to all of these customers for services.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 2 – Fixed Assets

The following is a summary of capital asset activity as of September 30, 2010:

Primary Government:

	<u>Balance</u> <u>10-01-09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-10</u>
Capital Assets, not being depreciated:				
Land	\$ 461,196	\$ 0	\$ 0	\$ 461,196
Construction in Progress	<u>344,180</u>	<u>593,930</u>	<u>0</u>	<u>938,110</u>
Total Capital Assets, not being Depreciated:	805,376	593,930	0	1,399,306
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	934,637	13,000	0	947,637
Infrastructure	974,034	0	0	974,034
Machinery and Equipment	<u>1,097,900</u>	<u>18,641</u>	<u>0</u>	<u>1,116,541</u>
Total Capital Assets being depreciated	3,006,571	31,641	0	3,038,212
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(152,527)	(20,133)	0	(172,660)
Machinery and Equipment	(793,599)	(88,237)	0	(881,836)
Infrastructure	<u>(40,203)</u>	<u>(20,066)</u>	<u>0</u>	<u>(60,269)</u>
Total Accumulated Depreciation	(986,329)	(128,436)	0	(1,114,765)
Total Capital Assets, depreciated, net Governmental Activities	<u>2,020,242</u>	<u>(96,795)</u>	<u>0</u>	<u>1,923,447</u>
Capital Assets, net	<u>\$ 2,825,618</u>	<u>\$ 497,135</u>	<u>\$ 0</u>	<u>\$ 3,322,753</u>

The Town adopted a capitalization threshold of \$500 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The Town has retroactively applied these thresholds to all general fixed assets in service at September 30, 2003. The Town has not retroactively capitalized infrastructure assets in service at September 30, 2003, the Town will record infrastructure for years after September 30, 2003. The beginning accumulated depreciation balances have been adjusted to reflect the Town's new capitalization policy.

A summary of business-type capital asset activity at September 30, 2010 follows:

	<u>Balance</u> <u>10-01-09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-10</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>0</u>	<u>285,461</u>	<u>0</u>	<u>285,461</u>
Total Capital Assets, not being Depreciated:	75,374	285,461	0	360,835

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 2 - Fixed Assets – Continued

	<u>Balance</u> <u>10-01-09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-10</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 7,741,560	\$ 220,375	\$ 0	\$ 7,961,935
Machinery and Equipment	<u>587,295</u>	<u>685</u>	<u>0</u>	<u>587,980</u>
Total Capital Assets being depreciated	8,328,855	221,060	0	8,549,915
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(3,654,200)	(207,673)	0	(3,861,873)
Machinery and Equipment	<u>(517,359)</u>	<u>(22,785)</u>	<u>0</u>	<u>(540,144)</u>
Total Accumulated Depreciation	<u>(4,171,559)</u>	<u>(230,458)</u>	<u>0</u>	<u>(4,402,017)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>4,157,296</u>	<u>(9,398)</u>	<u>0</u>	<u>4,147,898</u>
Capital Assets, net	<u>\$ 4,232,670</u>	<u>\$ 276,063</u>	<u>\$ 0</u>	<u>\$ 4,508,733</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 36,552
Public Safety	84,508
Public Works	6,791
Culture & Recreation	<u>585</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 128,436</u>
*Depreciation expense for Water, Sewer and Gas was	<u>\$ 230,458</u>

NOTE 3 - Receivables

Receivables at September 30, 2010, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2010:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/09	\$ 1,950,102	\$ 86,357	\$ 2,036,459
Add: Bonds and Other Long-Term Debt Acquired	375,461	0	375,461
Less: Bonds and Other Long-Term Debt Retired	<u>222,986</u>	<u>50,346</u>	<u>273,332</u>
Bonds and Other Long-Term Debt at 09/30/10	<u>\$ 2,102,577</u>	<u>\$ 36,011</u>	<u>\$ 2,138,588</u>

Bonds and other long-term debt at September 30, 2010 are comprised of the following issues:

Revenue Bonds:

\$1,200,000 Gas System Revenue Bond due in variable semi-annual installments through January 2017; interest at 5.5 percent	\$ 595,000
\$478,000 General Obligation Bond due in variable annual installments through December 2025; interest at 6.82 percent	416,000
\$208,600 Combined Water & Sewer System Revenue Bond due in annual installments of \$13,038 through June 2017; interest at 5 percent	<u>72,535</u>
	<u>\$ 1,083,535</u>

Notes Payable:

\$1,020,359 Note due in 233 monthly installments of \$6,305 through September 2012; interest at 3.33 percent	\$ 145,186
\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent	335,463
\$195,778 Note due in initial payment of \$70,000 and 4 annual installments of \$31,444 through December 2011; interest at 4.75 percent	67,083
\$90,000 Note due in 120 installments of \$869 through September 2020; interest at 3.0 percent	90,000

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - Long-Term Debt – Continued

\$282,138 Note due in 180 monthly installments of \$2,045 through July 2013; interest at 4 percent 59,248
\$ 696,980

Capital Leases:

Capital Lease dated May 1, 2001 due in 10 annual installments of \$26,646 through May 1, 2011; collateralized by a fire truck. \$ 25,914

Capital lease dated April 1, 2008 due in 36 monthly installments of \$1,140 through June 2011; collateralized by police cars. 10,097
\$ 36,011

Notes Not in Repayment

\$1,710,000 Note due on January, 2012 bearing interest of 5.45%. \$ 322,062

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2010 including interest payments of \$643,493 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2011	\$ 102,321	\$ 50,125	\$ 173,091	\$ 41,324	\$ 275,412	\$ 91,449
2012	71,158	46,852	195,757	33,496	266,915	80,348
2013	37,202	43,625	90,441	25,566	127,643	69,191
2014	38,913	41,225	95,963	20,463	134,876	61,688
2015	40,652	39,226	121,717	15,015	162,369	54,241
2016 - 2020	234,439	151,746	195,000	11,109	429,439	162,855
2021 - 2025	201,820	89,375	0	0	201,820	89,375
2026 - 2030	169,559	29,631	0	0	169,559	29,631
2031 - 2035	<u>48,493</u>	<u>4,715</u>	<u>0</u>	<u>0</u>	<u>48,493</u>	<u>4,715</u>
	<u>\$ 944,557</u>	<u>\$ 496,520</u>	<u>\$ 871,969</u>	<u>\$ 146,973</u>	<u>\$ 1,816,526</u>	<u>\$ 643,493</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 4 - Expenditures Over Appropriations for Individual Funds

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Personnel Services	\$ 175,160	\$ 176,496	\$ 1,336
Public Safety			
Supplies	56,320	56,415	95
Public Works			
Other Services and Charges	53,000	59,482	6,482
Culture and Recreational			
Other Services and Charges	4,400	5,938	1,538

NOTE 5 - Litigation

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.

NOTE 6 - Defined Benefit Pension Plan

Plan Description - The Town of Byhalia 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 the Town of Byhalia is required to contribute at an actuarially determined rate. The current rate is 12% 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 of Byhalia's contributions to PERS for the year ending September 30, 2010, 2009 and 2008 were \$129,310, \$127,011 and \$121,429 equal to the required contributions for the year.

NOTE 7 – Fund Balance Reconciliation – General Fund Budget Basis

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$3,226 more than cash revenues.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 8 - Risk Management

The Town of Byhalia is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the Town retains the risk of loss.

Risk of loss related to workers compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2010, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

NOTE 9 - Commitments

The Town of Byhalia has been approved for a \$1,710,000 interim financing loan from the Bank of Holly Springs. The loan will be paid off from funds received from USDA Rural Development. At September 30, 2010, the Town had drawn \$322,062 of the available funds.

NOTE 10 - Subsequent Events

Management has evaluated subsequent events through August 15, 2011, the date on which the financial statements were available to be issued.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF BYHALIA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2010

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 510,020	\$ 510,020	\$ 476,838	\$ (33,182)
Sales and Use Taxes	510,000	510,000	516,902	6,902
Privilege and Franchise Taxes	100,250	100,250	50,618	(49,632)
Licenses and Permits	5,000	5,000	15,082	10,082
In Lieu of Taxes	-	-	42,912	42,912
Intergovernmental Revenues	275,901	275,901	245,476	(30,425)
Charges for Services	54,000	54,000	57,771	3,771
Penalties and Interest	2,500	2,500	2,913	413
Fines and Forfeits	130,000	130,000	141,199	11,199
Interest Revenues	2,900	2,900	18,795	15,895
Sale of Land and Equipment	-	-	-	-
Sale of Cemetery Lots	7,000	7,000	2,000	(5,000)
Grant Income	45,000	45,000	565,068	520,068
Miscellaneous Revenues	20,000	20,000	29,152	9,152
TOTAL REVENUES	<u>1,662,571</u>	<u>1,662,571</u>	<u>2,164,726</u>	<u>502,155</u>
EXPENDITURES:				
Current:				
General Government	358,460	358,035	902,619	(544,584)
Public Safety	1,193,713	1,173,213	1,031,023	142,190
Public Works	320,820	320,820	309,539	11,281
Culture and Recreation	5,900	22,900	18,938	3,962
Debt Service	53,278	57,203	161,350	(104,147)
TOTAL EXPENDITURES	<u>1,932,171</u>	<u>1,932,171</u>	<u>2,423,469</u>	<u>(491,298)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(269,600)</u>	<u>(269,600)</u>	<u>(258,743)</u>	<u>10,857</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuances	-	-	90,000	90,000
Transfers (to) from Other Funds	269,600	269,600	256,600	(13,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>269,600</u>	<u>269,600</u>	<u>346,600</u>	<u>77,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,857</u>	<u>\$ 87,857</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2010

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Ad Valorem Taxes	\$ 510,020	\$ 476,838	\$ (33,182)
Homestead Exemption Reimbursement	12,116	11,607	(509)
Privilege Licenses and Fees	20,250	13,630	(6,620)
Road Maintenance	260,000	228,818	(31,182)
Sales Tax	510,000	516,902	6,902
State Aid	-	366	366
Gasoline Tax	1,985	1,985	-
Fire Protection	-	-	-
Alcoholic Beverage Licenses	1,800	2,700	900
Building Permits	5,000	14,732	9,732
Court Fines and Fees	130,000	141,199	11,199
TVA In Lieu Tax	-	42,912	42,912
Miscellaneous	20,000	29,152	9,152
Penalties and Interest	1,000	1,148	148
Cable Franchise Fees	80,000	37,338	(42,662)
Sale of Land and Equipment	-	-	-
Sale of Cemetery Lots	7,000	2,000	(5,000)
Interest Income	2,900	18,795	15,895
Late Charges - Utilitiy	1,500	1,765	265
Grant Income	45,000	565,068	520,068
Sanitation Fees	54,000	57,771	3,771
Total revenues	<u>1,662,571</u>	<u>2,164,726</u>	<u>502,155</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	175,160	176,496	(1,336)
Supplies	8,800	6,861	1,939
Other Services and Charges	130,325	122,014	8,311
Capital Outlay	45,250	597,248	(551,998)
Total	<u>359,535</u>	<u>902,619</u>	<u>(543,084)</u>
Public Safety			
Personnel Services	864,426	837,437	26,989
Supplies	56,320	56,415	(95)
Other Services and Charges	187,780	132,330	55,450
Capital Outlay	64,687	4,841	59,846
Total	<u>1,173,213</u>	<u>1,031,023</u>	<u>142,190</u>
Public Works			
Personnel Services	181,595	177,903	3,692
Supplies	22,725	21,436	1,289
Other Services and Charges	53,000	59,482	(6,482)
Capital Outlay	12,000	2,190	9,810
Total	<u>269,320</u>	<u>261,011</u>	<u>8,309</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Year Ended September 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Cultural and Recreational			
Other Services and Charges	\$ 4,400	\$ 5,938	\$ (1,538)
Capital Outlay	<u>17,000</u>	<u>13,000</u>	<u>4,000</u>
Total	<u>21,400</u>	<u>18,938</u>	<u>2,462</u>
Sanitation			
Other Services and Charges	<u>51,500</u>	<u>48,528</u>	<u>2,972</u>
Total	<u>51,500</u>	<u>48,528</u>	<u>2,972</u>
Debt service			
Principal Retirement	24,925	108,993	(84,068)
Interest and Fiscal Charges	<u>32,278</u>	<u>52,357</u>	<u>(20,079)</u>
Total	<u>57,203</u>	<u>161,350</u>	<u>(104,147)</u>
Total expenditures	<u>1,932,171</u>	<u>2,423,469</u>	<u>(491,298)</u>
Excess (Deficit) revenues over (under) expenditures	<u>(269,600)</u>	<u>(258,743)</u>	<u>10,857</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Capital Leases	-	90,000	90,000
Operating transfers in	<u>269,600</u>	<u>256,600</u>	<u>(13,000)</u>
Total other financing sources (uses)	<u>269,600</u>	<u>346,600</u>	<u>77,000</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>87,857</u>	<u>87,857</u>
Fund balances - Beginning,	<u>1,116,719</u>	<u>1,116,719</u>	<u>-</u>
Fund balances - Ending	\$ <u>1,116,719</u>	\$ <u>1,204,576</u>	\$ <u>87,857</u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		<u>3,226</u>	
Fund Balance GAAP - Ending		\$ <u>1,207,802</u>	

OTHER SUPPLEMENTAL INFORMATION

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
For the Year Ended September 30, 2010

<u>Adjusted Assessed Valuation</u>	<u>ASSESSED VALUE</u>	<u>TAX</u>
Realty	\$ 16,339,535	
Personal - Other than Auto and Public Utilities	8,370,445	
Industrial Exemption	<u>(6,884,983)</u>	
Total @ 26.50 Mills	<u>17,824,997</u>	\$ 472,362
Personal - Auto (Remitted by County) @ 26.50 Mills	<u>917,578</u>	<u>24,316</u> 496,678
Add: Prior Year Tax Collections		3,739
Less: Homestead Exemption Allowed		
Over 65 Tax Losses		(15,684)
Delinquent Taxes		(10,626)
Change in Dollar Amounts		<u>24</u>
Total to be Accounted for:		<u>\$ 474,131</u>
<u>Credits:</u>	<u>TAXES</u>	
Collections Allocated to:		
General Fund	\$ <u>474,242</u>	
Total		\$ 474,242
Balance Represented by:		
Unaccounted for -(Over Settled)	\$ <u>(111)</u>	<u>(111)</u>
Total Accounted for:		<u>\$ 474,131</u>

TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2010

NAME	POSITION	BOND	INSURANCE COMPANY
Teresa Turner	City Clerk	\$ 50,000	Old Republic Surety Company
Angie Clayton	Court Clerk	50,000	Old Republic Surety Company
Vivian Turner	Utility Clerk	50,000	Old Republic Surety Company
Helen Rayford	Utility Clerk	50,000	Old Republic Surety Company
Doris Hendrix	Police Dispatcher	10,000	Old Republic Surety Company
Kathy Vanderhook	Deputy Clerk	50,000	Old Republic Surety Company
Teresa Lesure	Police Dispatcher	10,000	Old Republic Surety Company
Deborah Osborne	Police Dispatcher	10,000	Old Republic Surety Company
Barbara Wages	Police Dispatcher	10,000	Old Republic Surety Company
Venita Mullins	Police Dispatcher	10,000	Old Republic Surety Company
Gary Looney	Police Chief	50,000	Old Republic Surety Company
Gary Smoot	City Manager	50,000	Old Republic Surety Company
Michael Hamblin	Alderman	50,000	Scott Insurance Company
Richard Minor	Alderman	50,000	Scott Insurance Company
Daylon Cannon	Alderman	50,000	Scott Insurance Company
Joe Tunstall	Alderman	50,000	Scott Insurance Company
Fred DeBardeleben	Alderman	50,000	Scott Insurance Company
Phillip Malone	Mayor	50,000	Scott Insurance Company

**TOWN OF BYHALIA
SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency Id Number	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT:			
U. S. Department of Housing and Urban Development			
Passed through State Office of: Community Development Block Grant	1122-05-135-ED-01	14.228	\$ <u>351,069</u>
Total U.S. Department of Housing and Urban Development			\$ <u>351,069</u>
U.S. Department of Transportation			
Passed through State Office of: Mississippi Dept. of Transportation--ARRA	STPD-8193/10503780100	20.205	\$ <u>172,272</u>
Total U.S. Department of Transportation			\$ <u>172,272</u>
U. S. Department of Justice			
Passed through State Office of: Dept of Public Safety--ARRA		16.710	\$ <u>25,804</u>
Total U.S. Department of Justice			\$ <u>25,804</u>
Total Expenditures of Federal Awards			\$ <u><u>549,145</u></u>

See accompanying notes to schedule of expenditures of federal awards.

OTHER REPORTS



**FRANKS,
FRANKS &
JARRELL, P.A.**

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

Mayor and Board of Aldermen
Town of Byhalia
Byhalia, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town of Byhalia, Mississippi's basic financial statements and have issued our report dated August 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Byhalia, 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 Town of Byhalia, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Byhalia, Mississippi's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (See Findings 1 and 2).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (See Findings 1 and 2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Byhalia, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and reportable conditions as finding number 1.

The Town of Byhalia, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Byhalia, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, Mississippi State Audit Department and other related state agencies 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.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
August 15, 2011



**FRANKS,
FRANKS &
JARRELL, P.A.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

Compliance

We have audited the compliance of the Town of Byhalia, 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, 2010. The Town of Byhalia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. 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 Byhalia, Mississippi's management. Our responsibility is to express an opinion on the Town of Byhalia, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Byhalia, 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 Byhalia, Mississippi's compliance with those requirements.

In our opinion, the Town of Byhalia, Mississippi complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the Town of Byhalia, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Byhalia, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town of Byhalia, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, Board of Aldermen, Office of the State Auditor of the State of Mississippi, 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. However, this report is a matter of public record and its distribution is not limited.

Franks, Franks + Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
August 15, 2011

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified
Internal control over financial reporting:
Material weakness identified? X Yes No
Significant deficiencies identified?
not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements
noted? X Yes No

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? Yes X No
Significant deficiency(s) identified
not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>U.S. Department of Housing and Urban Development</u>

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2010**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1

Criteria: The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi Code Ann. (1972), requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

Cause of Condition: The Town had budget overages in some expenditure categories for the year ended September 30, 2010. The Town did not modify the budgeted amounts for various revenue sources when it was evident that the budgeted revenues would not be collected.

Recommendation: The Town should ensure that all expenditures are within the final amended budget amounts.

Response: The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

FINDING NO. 2

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Cause of Condition: The Town does not maintain an inventory account on the general ledger related to materials and parts for the utility departments. The Town did not conduct a physical inventory count at year end. The Town does not maintain any subsidiary listing of materials inventory.

Recommendation: The Town should implement adequate internal controls to ensure that a subsidiary listing of materials inventory is established and maintained. The Town should implement adequate internal controls to ensure that a physical inventory count is performed at year end and a general ledger account is established and adjusted accordingly.

Response: The Town will establish procedures to ensure that a physical inventory is performed at year end and a general ledger inventory account is established and adjusted.

- * Findings 1 and 2 are considered Significant Deficiencies.
- * Findings 1 and 2 are considered Material Weaknesses.
- * Finding 1 is considered a noncompliance finding.
- * Finding 1 was a finding in the prior year.



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

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the general purpose financial statements of Town of Byhalia, Mississippi as of and for the year ended September 30, 2010 and have issued our report dated August 15, 2011. 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 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 general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses can be found in the accompanying schedule of findings and responses as finding 1.

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.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
August 15, 2011