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TOWN OF SUMMIT, MISSISSIPPI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SEPTEMBER 30, 2010

CONTENTS

| <u>DESCRIPTION</u> | <u>PAGE</u> |
|---|-------------|
| FINANCIAL SECTION: | |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 1 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Activities and Net Assets - Cash Basis | 3 |
| Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances | 5 |
| Notes to Financial Statements | 7 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule - General Fund | 15 |
| Notes to Required Supplementary Information | 16 |
| Supplemental Information: | |
| Schedule of Investments - All Funds | 17 |
| Schedule of Long-Term Debt | 18 |
| Schedule of Surety Bonds for Municipal Officials | 19 |
| Schedule of Capital Assets | 20 |
| SINGLE AUDIT SECTION: | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 21 |

CONTENTS - CONTINUED:

PAGE

SINGLE AUDIT SECTION - CONTINUED:

| | |
|---|----|
| Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 23 |
| Schedule of Expenditures of Federal Awards | 25 |
| Notes to the Schedule of Expenditures of Federal Awards | 26 |
| Schedule of Findings and Questioned Costs | 27 |

STATE COMPLIANCE SECTION:

| | |
|--|----|
| Independent Auditor's Report on Compliance with State Laws and Regulations | 30 |
|--|----|

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor and Board of Councilpersons
Town of Summit
Summit, 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 Summit, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Summit, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the Town of Summit, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Summit, Mississippi, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011 on our consideration of the Town of Summit, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 15-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summit, Mississippi's financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic 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 supplemental information section 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 schedule of expenditures of federal awards 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 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. The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Haddox Reid Baker & Colborn PLLC

May 2, 2011

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TOWN OF SUMMIT, MISSISSIPPI

**STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| <u>Functions/Programs</u> | <u>Cash Disbursements</u> | <u>Program Cash Receipts</u> | | |
|--------------------------------|-------------------------------|-------------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,639,608 | 53,302 | 1,420,276 | 23,450 |
| Public safety | 1,050,495 | - | 232,295 | - |
| Court | 21,784 | - | - | - |
| Sanitation | 124,174 | 129,438 | - | - |
| Street maintenance | <u>219,753</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>3,055,814</u> | <u>182,740</u> | <u>1,652,571</u> | <u>23,450</u> |
| Business-type activities: | | | | |
| Water and sewer | <u>347,297</u> | <u>452,098</u> | <u>3,400</u> | <u>16,750</u> |
| Total business-type activities | <u>347,297</u> | <u>452,098</u> | <u>3,400</u> | <u>16,750</u> |
| Total primary government | <u>\$ 3,403,111</u> | <u>634,838</u> | <u>1,655,971</u> | <u>40,200</u> |

GENERAL RECEIPTS:

- Taxes:
 - Ad valorem taxes
 - Sales tax
 - Franchise taxes
- Licenses and Permits
- Unrestricted investment income
- Intergovernmental
- Water and deposit receipts
- Miscellaneous
- Loan Proceeds
- Transfers
- Total general receipts

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

**Net (Disbursements) Revenue and
Change In Net Assets**

| <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|------------------------------------|--|--------------------|
| (142,580) | - | (142,580) |
| (818,200) | - | (818,200) |
| (21,784) | - | (21,784) |
| 5,264 | - | 5,264 |
| <u>(219,753)</u> | - | <u>(219,753)</u> |
| <u>(1,197,053)</u> | - | <u>(1,197,053)</u> |
| - | <u>124,951</u> | <u>124,951</u> |
| - | <u>124,951</u> | <u>124,951</u> |
| <u>(1,197,053)</u> | <u>124,951</u> | <u>(1,072,102)</u> |
| 301,342 | - | 301,342 |
| 327,097 | - | 327,097 |
| 58,422 | - | 58,422 |
| 18,747 | - | 18,747 |
| 14,518 | 12,245 | 26,763 |
| 260,021 | - | 260,021 |
| - | 110 | 110 |
| 25,540 | 2,138 | 27,678 |
| 27,400 | - | 27,400 |
| 890 | <u>(890)</u> | - |
| <u>1,033,977</u> | <u>13,603</u> | <u>1,047,580</u> |
| (163,076) | 138,554 | (24,522) |
| <u>902,041</u> | <u>518,552</u> | <u>1,420,593</u> |
| <u>\$ 738,965</u> | <u>657,106</u> | <u>1,396,071</u> |

TOWN OF SUMMIT, MISSISSIPPI

**STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS - CONTINUED:
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| | Governmental <u>Activity</u> | Business- type <u>Activities</u> | <u>Total</u> |
|--|---|---|---------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 622,474 | 536,140 | 1,158,614 |
| Restricted cash | <u>116,491</u> | <u>120,966</u> | <u>237,457</u> |
| Total assets | <u>\$ 738,965</u> | <u>657,106</u> | <u>1,396,071</u> |
| NET ASSETS: | | | |
| Restricted for cemetery maintenance | \$ 52,436 | - | 52,436 |
| Restricted for capital projects | 44 | - | 44 |
| Restricted for debt service | 18,686 | 84,268 | 102,954 |
| Restricted for fire prevention | 27,210 | - | 27,210 |
| Restricted for law enforcement | 13,869 | - | 13,869 |
| Restricted for meter deposits | - | 36,698 | 36,698 |
| Restricted for unemployment compensation | 4,246 | - | 4,246 |
| Unrestricted | <u>622,474</u> | <u>536,140</u> | <u>1,158,614</u> |
| Total net assets | <u>\$ 738,965</u> | <u>657,106</u> | <u>1,396,071</u> |

The accompanying notes are an integral part of this statement.

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TOWN OF SUMMIT, MISSISSIPPI

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010**

GOVERNMENTAL ACTIVITIES

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Other Nonmajor Funds</u> | <u>Total</u> |
|---|-------------------------|--------------------------------------|-------------------------------------|------------------|
| RECEIPTS: | | | | |
| Taxes - Ad valorem | \$ 296,610 | - | - | 296,610 |
| Penalties and interest on delinquent taxes | 4,732 | - | - | 4,732 |
| Franchise fees | 58,422 | - | - | 58,422 |
| Licenses and permits | 18,747 | - | - | 18,747 |
| Intergovernmental revenues | 639,745 | 1,609,025 | 14,369 | 2,263,139 |
| Charges for services: | | | | |
| Sanitation | 129,438 | - | - | 129,438 |
| Water and sewer | - | - | - | - |
| Capital improvement fees | - | - | - | - |
| Fines and forfeits | 53,302 | - | - | 53,302 |
| Interest | 11,566 | 44 | 2,908 | 14,518 |
| Other | 15,830 | - | 9,710 | 25,540 |
| Total receipts | <u>1,228,392</u> | <u>1,609,069</u> | <u>26,987</u> | <u>2,864,448</u> |
| DISBURSEMENTS: | | | | |
| General government | 219,839 | 1,409,025 | - | 1,628,864 |
| Public safety | 710,874 | 339,621 | - | 1,050,495 |
| Court | 21,784 | - | - | 21,784 |
| Sanitation | 124,174 | - | - | 124,174 |
| Streets | 219,753 | - | - | 219,753 |
| Enterprises: | | | | |
| Water and sewer | - | - | - | - |
| Interest on loans | - | - | 1,625 | 1,625 |
| Total disbursements | <u>1,296,424</u> | <u>1,748,646</u> | <u>1,625</u> | <u>3,046,695</u> |
| Excess (deficiency) of receipts over (under) disbursements | \$ <u>(68,032)</u> | <u>(139,577)</u> | <u>25,362</u> | <u>(182,247)</u> |

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

Water and Sewer

| <u>Fund</u> | <u>Total</u> |
|----------------|----------------|
| - | - |
| - | - |
| - | - |
| - | - |
| 20,150 | 20,150 |
| - | - |
| 407,721 | 407,721 |
| 44,377 | 44,377 |
| - | - |
| 12,245 | 12,245 |
| <u>2,138</u> | <u>2,138</u> |
| <u>486,631</u> | <u>486,631</u> |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 281,877 | 281,877 |
| <u>18,336</u> | <u>18,336</u> |
| <u>300,213</u> | <u>300,213</u> |
| | |
| <u>186,418</u> | <u>186,418</u> |

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TOWN OF SUMMIT, MISSISSIPPI

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| | GOVERNMENTAL ACTIVITIES | | | |
|---|--------------------------------|--------------------------------------|-------------------------------------|--------------------|
| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Other Nonmajor Funds</u> | <u>Total</u> |
| OTHER CASH SOURCE (USES): | | | | |
| Debt repaid | \$ - | - | (9,119) | (9,119) |
| Interfund loans and transfers | 9,190 | 112,221 | (120,521) | 890 |
| Loan proceeds | - | 27,400 | - | 27,400 |
| Water deposits - net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other cash sources (uses) | <u>9,190</u> | <u>139,621</u> | <u>(129,640)</u> | <u>19,171</u> |
| Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses | (58,842) | 44 | (104,278) | (163,076) |
| CASH BASIS FUND BALANCE - Beginning of year | <u>685,562</u> | <u>-</u> | <u>216,479</u> | <u>902,041</u> |
| CASH BASIS FUND BALANCE - End of year | <u>\$ 626,720</u> | <u>44</u> | <u>112,201</u> | <u>738,965</u> |
| CASH BASIS ASSETS - End of year | | | | |
| Cash and cash equivalents | \$ 622,474 | - | - | 622,474 |
| Restricted cash | <u>4,246</u> | <u>44</u> | <u>112,201</u> | <u>116,491</u> |
| Total cash basis assets | <u>\$ 626,720</u> | <u>44</u> | <u>112,201</u> | <u>738,965</u> |
| CASH BASIS FUND BALANCES - End of year | | | | |
| Reserved | \$ 4,246 | 44 | 112,201 | 116,491 |
| Unreserved | <u>622,474</u> | <u>-</u> | <u>-</u> | <u>622,474</u> |
| Total cash basis fund balances | <u>\$ 626,720</u> | <u>44</u> | <u>112,201</u> | <u>738,965</u> |

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

| Water and Sewer | |
|------------------------|---------------------|
| <u>Fund</u> | <u>Total</u> |
| (47,084) | (47,084) |
| (890) | (890) |
| - | - |
| <u>110</u> | <u>110</u> |
| <u>(47,864)</u> | <u>(47,864)</u> |
| 138,554 | 138,554 |
| <u>518,552</u> | <u>518,552</u> |
| <u>657,106</u> | <u>657,106</u> |
| 536,140 | 536,140 |
| <u>120,966</u> | <u>120,966</u> |
| <u>657,106</u> | <u>657,106</u> |
| 120,966 | 120,966 |
| <u>536,140</u> | <u>536,140</u> |
| <u>657,106</u> | <u>657,106</u> |

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Summit, Mississippi (the Town) was incorporated in 1858. The Town operates under a Mayor-Board of Councilpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

A. Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

- Statement of activities and net assets - cash basis
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town combines the statement of activities and statement of net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

Receipts are recorded when collected and expenditures are recorded when cash is spent.

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure (other than those financed by proprietary funds).

The Town reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.

Additionally, the Town reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general receipts* rather than as program receipts.

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

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Board Opinions, and Accounting Research Bulletins of Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Assets and Net Assets or Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

Net Assets

The Town's government-wide and proprietary net assets are divided into the following components:

Restricted net assets - consist of net assets that are restricted by the Town's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

Unrestricted net assets - all other net assets are reported in this category.

NOTE 2 - CASH AND CASH EQUIVALENTS

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 Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

Cash is comprised of the following at September 30, 2010:

| | <u>Cash and Cash Equivalents</u> | <u>Restricted Cash</u> | <u>Total</u> |
|----------------------------------|--|----------------------------|------------------|
| Governmental activities: | | | |
| General Fund | \$ 622,474 | 4,246 | 626,720 |
| Capital Projects Fund | - | 44 | 44 |
| Special Fire Fund | - | 27,210 | 27,210 |
| Debt Service Fund | - | 18,686 | 18,686 |
| Cemetery Fund | - | 52,436 | 52,436 |
| Public Safety Grants Fund | - | 5,528 | 5,528 |
| Police Seizure Fund | - | 8,341 | 8,341 |
| Total governmental activities | <u>622,474</u> | <u>116,491</u> | <u>738,965</u> |
| Business-type activities: | | | |
| Water and Sewer Fund | <u>536,140</u> | <u>120,966</u> | <u>657,106</u> |
| Total business-type activities | <u>536,140</u> | <u>120,966</u> | <u>657,106</u> |
| Government-wide total | <u>\$1,158,614</u> | <u>237,457</u> | <u>1,396,071</u> |

Deposits at September 30, 2010 are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| Cash | \$ 1,088,813 | 1,134,298 |
| Certificates of deposit | <u>307,258</u> | <u>307,258</u> |
| Total deposits | <u>\$ 1,396,071</u> | <u>1,441,556</u> |

The difference of \$45,485 was principally due to outstanding checks. Of the bank balance, \$557,792 was covered by Federal depository insurance.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2010, \$883,764 of the Town's bank balance of \$1,441,556 was exposed to custodial credit risk as follows:

Collateralized by the state public funds:

| | |
|---------------|-----------|
| Guaranty pool | \$883,764 |
|---------------|-----------|

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The Town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had no investments as of September 30, 2010.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2010, the Town had no investments.

Following is a list of the Town's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

NOTE 3 - PROPERTY TAX

The Town levies property taxes annually based upon assessed valuations. Real property, personal property and automobile ad valorem taxes and certain road taxes are collected by the Pike County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2010 were approximately 94% of the total tax levy.

The tax rate levied by the Town for fiscal year 2010 was set at 34.00 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

| | |
|--------------|---------------|
| General Fund | <u>\$3.40</u> |
|--------------|---------------|

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Public Employees' Retirement System

Plan Description and Provisions

The Town of Summit, Mississippi 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Plan Funding Policy

PERS members were required to contribute 7.25% of their annual covered salary until July 1, 2010, at which time the required contribution increased to 9.00%. The Town of Summit, Mississippi is required to contribute at an actuarially determined rate. This rate was 12.00% of annual covered payroll for the fiscal year ended September 30, 2010. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Summit, Mississippi's contributions to PERS for the years ended September 30, 2010, 2009, and 2008 were \$50,518, \$45,723 and \$44,104, respectively, equal to the required contributions for each year.

Trend Information

Ten year historical information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS' June 30, 2010 comprehensive annual financial report.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers during the year were as follows:

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|-----------------------|----------------------|-------------------|
| General Fund | Special Fire Fund | \$ 124,672 |
| General Fund | Water and Sewer Fund | 890 |
| Debt Service Fund | General Fund | 4,151 |
| Capital Projects Fund | General Fund | <u>112,221</u> |
| | | <u>\$ 241,934</u> |

The above interfund transfers resulted from capital asset purchases and debt service payments.

NOTE 6 - CONTINGENCIES

Federal Grants

In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by the agents of the granting

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 6 - CONTINGENCIES - CONTINUED:

Federal Grants - continued:

authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss other than workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

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 employers' 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 probably 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.

NOTE 8 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring disclosure in the financial statements through May 2, 2011, the date the financial statements were approved by the Town's management and thereby available to be released.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF SUMMIT, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance With Final Budget Positive Negative</u> |
|---|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| RECEIPTS: | | | | |
| Taxes - ad valorem | \$ 314,686 | 314,686 | 301,342 | (13,344) |
| Penalties and interest on delinquent taxes | - | - | - | - |
| Franchise fees | 57,800 | 57,800 | 58,422 | 622 |
| Licenses and permits | 6,600 | 6,600 | 18,747 | 12,147 |
| Intergovernmental revenues | 419,125 | 457,985 | 639,745 | 181,760 |
| Charges for services | 126,000 | 126,000 | 129,438 | 3,438 |
| Fines and forfeits | 72,000 | 72,000 | 53,302 | (18,698) |
| Interest | - | - | 11,566 | 11,566 |
| Miscellaneous | <u>21,800</u> | <u>21,800</u> | <u>15,830</u> | <u>(5,970)</u> |
| Total receipts | <u>1,018,011</u> | <u>1,056,871</u> | <u>1,228,392</u> | <u>171,521</u> |
| EXPENDITURES: | | | | |
| General government | 242,450 | 242,450 | 219,839 | 22,611 |
| Public safety | 420,899 | 728,118 | 710,874 | 17,244 |
| Court | 18,227 | 18,227 | 21,784 | (3,557) |
| Sanitation | 126,000 | 126,000 | 124,174 | 1,826 |
| Streets | <u>202,119</u> | <u>240,979</u> | <u>219,753</u> | <u>21,226</u> |
| Total expenditures | <u>1,009,695</u> | <u>1,355,774</u> | <u>1,296,424</u> | <u>59,350</u> |
| Excess (deficiency) of receipts over expenditures | <u>8,316</u> | <u>(298,903)</u> | <u>(68,032)</u> | <u>230,871</u> |
| OTHER CASH SOURCES (USES): | | | | |
| Interfund loans and transfers | <u>-</u> | <u>38,792</u> | <u>9,190</u> | <u>(29,602)</u> |
| Total other cash sources and uses | <u>-</u> | <u>38,792</u> | <u>9,190</u> | <u>(29,602)</u> |
| Net change in cash basis fund balances | 8,316 | (260,111) | (58,842) | 201,269 |
| CASH BASIS FUND BALANCE - | | | | |
| Beginning of year | <u>685,562</u> | <u>685,562</u> | <u>685,562</u> | <u>-</u> |
| CASH BASIS FUND BALANCE - | | | | |
| End of year | <u>\$ 693,878</u> | <u>425,451</u> | <u>626,720</u> | <u>201,269</u> |

The accompanying notes to the required supplementary information are an integral part of this schedule.

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE A - BUDGETARY INFORMATION

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Councilpersons of the Town, using historical and anticipated fiscal data, prepares an original budget for the general fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Councilpersons that budgetary estimates will not be met, it may make revisions to the budget.

The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to the budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

NOTE B - BASIS OF PRESENTATION

The Budgetary Comparison Schedule presents the original adopted budget, the final adopted budget, actual amounts on a budgetary basis and variance between the final budget and the actual amounts. The schedule is presented for the General Fund.

NOTE C - BUDGET RECONCILIATION

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

SUPPLEMENTAL INFORMATION

TOWN OF SUMMIT, MISSISSIPPI

SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2010

| | <u>Deposit Amount</u> |
|---|---------------------------|
| Certificate of Deposit with First Bank Maturing 1/8/11, Rate 1.00% | \$ 100,000 |
| Certificate of Deposit with Regions Bank Maturing 1/22/11, Rate 1.24% | 82,865 |
| Certificate of Deposit with First Bank Maturing 12/29/10, Rate 1.00% | 48,000 |
| Certificate of Deposit with Regions Bank Maturing 7/24/11, Rate 0.70% | 34,200 |
| Certificate of Deposit with State Bank Maturing 4/19/11, Rate 1.30% | 25,539 |
| Certificate of Deposit with Regions Bank Maturing 5/6/11, Rate 2.18% | 16,067 |
| Certificate of Deposit with Regions Bank Maturing 5/5/13, Rate 0.89% | <u>587</u> |
| Total | \$ <u>307,258</u> |
| Fund Recap: | |
| General Fund | 182,865 |
| Cemetery Fund | 26,126 |
| Water and Sewer Fund | <u>98,267</u> |
| Total | \$ <u>307,258</u> |

TOWN OF SUMMIT, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Balance Outstanding October 1, 2009</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Balance Outstanding September 30, 2010</u> |
|---|--|----------------------|------------------------|---|
| <u>NOTES:</u> | | | | |
| Freight Rail Service Project Revolving Loan Program - 04-352-RR-01 | \$ 72,416 | - | (5,879) | 66,537 |
| \$251,000 Combined Water and Sewer System Revenue Bonds Series 2006 | 247,690 | - | (4,262) | 243,428 |
| Mississippi Department of Environmental Quality Revolving Loan - SRF-C280-753-01 | 76,486 | - | (33,358) | 43,128 |
| Mississippi Department of Economic & Community Development Capital Improvement Loan - 5-352-CP-01 | 18,601 | - | (8,385) | 10,216 |
| Note Payable - First Bank | - | 27,400 | (3,240) | 24,160 |
| Capital Lease - New Holland Tractor | <u>1,079</u> | <u>-</u> | <u>(1,079)</u> | <u>-</u> |
| Total | \$ <u>416,272</u> | <u>27,400</u> | <u>(56,203)</u> | <u>387,469</u> |

TOWN OF SUMMIT, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2010

| <u>Name</u> | <u>Position</u> | <u>Surety</u> | <u>Bond Amount</u> |
|----------------------|-------------------|---------------|--------------------|
| Percy B. Robinson | Mayor | Travelers | \$ 50,000 |
| Jake Gazzo | Councilperson | Travelers | 50,000 |
| Joe Lewis | Councilperson | Travelers | 50,000 |
| Lester Swanigan | Councilperson | Travelers | 50,000 |
| Lester Jones | Councilperson | Travelers | 50,000 |
| James "Kenny" Cotton | Chief of Police | Travelers | 50,000 |
| Patricia Whittington | Town Clerk | Travelers | 50,000 |
| Tonya Andrews | Court Clerk | Travelers | 50,000 |
| Marsha Waltman | Deputy Town Clerk | Travelers | 50,000 |

TOWN OF SUMMIT, MISSISSIPPI

**SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

| | Beginning Balance October 1, 2009 | Additions | Retirements | Ending Balance September 30, 2010 |
|---|--|-------------------|--------------------|--|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets: | | | | |
| Land | \$ 19,550 | - | - | 19,550 |
| Building and improvements | 1,517,357 | 1,816,242 | - | 3,333,599 |
| Vehicles and machinery | 915,906 | 351,217 | (51,813) | 1,215,310 |
| Infrastructure | 1,287,933 | - | - | 1,287,933 |
| Construction in progress | <u>36,300</u> | <u> </u> | <u>(36,300)</u> | <u> </u> |
| Total governmental activities capital assets | <u>3,777,046</u> | <u>2,167,459</u> | <u>(88,113)</u> | <u>5,856,392</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets: | | | | |
| Land | 2,200 | - | - | 2,200 |
| Building | 6,000 | - | - | 6,000 |
| Vehicles and machinery | 937,115 | 3,917 | - | 941,032 |
| Water distribution system | <u>2,445,459</u> | <u> </u> | <u> </u> | <u>2,445,459</u> |
| Total business-type activities capital assets | <u>\$ 3,390,774</u> | <u>3,917</u> | <u> </u> | <u>3,394,691</u> |

SINGLE AUDIT SECTION

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

To the Honorable Mayor and Board of Councilpersons
Town of Summit, 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 Summit, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the Town of Summit, Mississippi's basic financial statements and have issued our report thereon dated May 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1 and 2010-2). 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.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, Board of Councilpersons, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Haddox Reed Barker & Culhoun PLLC

May 2, 2011

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

To the Honorable Mayor and Board of Councilpersons
Town of Summit, Mississippi

Compliance

We have audited the compliance of the Town of Summit, 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 its major Federal program for the year ended September 30, 2010. The Town of Summit, Mississippi's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the Town of Summit, Mississippi's management. Our responsibility is to express an opinion on the Town of Summit, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Summit, 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 Summit, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

Management of the Town of Summit, 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 the Town of Summit, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Town of Summit, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Board of Councilpersons, others within the entity, 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.

Huddox Reid Archer & Colborn PLLC

May 2, 2011

TOWN OF SUMMIT, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Agriculture direct programs: | | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | 1122-05-352-PF-01 | 9,950 |
| Community Facilities Loans and Grants | 10.766 | | <u>100,000</u> |
| Total U.S. Department of Agriculture | | | <u>109,950</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Pass-through programs from: | | | |
| Mississippi Development Authority: | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | R-110-352-01-GZ | 967,469 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 1122-05-352-PF-02 | <u>383,503</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>1,350,972</u> |
| Department of the Interior National Park Service direct program: | | | |
| Historic Preservation Fund Grants-in-Aid | 15.904 | | <u>1,650</u> |
| Total Department of the Interior National Park Service | | | <u>1,650</u> |
| U.S. Department of Transportation - National Highway Traffic Safety Administration (NHTSA): | | | |
| Pass-through programs from: | | | |
| Office of Highway Safety - Division of Public Safety | | | |
| State and Community Highway Safety | 20.600 | 2010-RS-346-1 | <u>25,028</u> |
| Total U.S. Department of Transportation - National Highway Traffic Safety Administration (NHTSA) | | | <u>25,028</u> |
| Total Expenditure of Federal Awards | | | <u>1,487,600</u> |

The accompanying notes to the schedule of expenditures of Federal awards is an integral part of this schedule.

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal grant activity of the Town of Summit, Mississippi under programs of the Federal government for the year ended September 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Summit, Mississippi, it is not intended to and does not present the financial position or changes in net assets of the Town of Summit, Mississippi.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

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

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements. | Unqualified |
| 2. | Material noncompliance related to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major Federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weaknesses identified? | None |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| a. | U.S. Department of Housing and Urban Development/ Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii; CFDA #14.228 | |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee did not qualify as a low-risk auditee. | |

TOWN OF SUMMIT, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION 2 - FINDINGS - FINANCIAL STATEMENTS AUDIT

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

2010-1 Financial Statement Preparation

Criteria

Preparation of the financial statements including the related note disclosures is the responsibility of the Town of Summit, Mississippi. Our responsibility as auditors is to express an opinion on the financial statements.

Statement of Conditions

The Town relies on our firm as its external auditors to assist management in the preparation of the Town's external financial statements and related disclosures. Under U.S. generally accepted auditing standards, performance of such functions by the Town's independent auditor cannot be considered part of the Town's internal control structure.

Cause of Condition

Due to the small size of the Town's accounting staff, the Town has determined that it is more cost effective to utilize the expertise of its auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise.

Effect of Condition

Financial statements prepared by the Town might contain material errors.

Auditor's Recommendation

Management of the Town of Summit, Mississippi should review, approve, and accept auditor-prepared financial statements prior to their issuance.

Response

Auditor-prepared financial statements will be reviewed, approved, and accepted by the Town of Summit, Mississippi's management prior to their issuance.

TOWN OF SUMMIT, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION 2 - FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED:

2010-2 Segregation of Duties

Criteria

Segregation of duties encompasses assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people with the Town. Segregation of duties lessens the risk that one person could make an error or perpetuate fraud that would not be discovered by someone else in the normal course of performing their duties.

Statement of Condition

The desired level of internal control obtained by adequate separation of duties in the accounting control categories cannot be achieved due to the small number of persons employed.

Cause of Condition

In several instances, a single employee performs various procedures in the accounting process which would normally be divided among other employees in an environment where there were more clerical and accounting employees.

Effect of Condition

The Town of Summit, Mississippi has certain inherent weaknesses in its internal control structure. As typical for a town this size, it is not economically feasible to employ additional persons solely for the purpose of achieving adequate internal controls.

Auditor's Recommendation

We recommend that the Town of Summit, Mississippi consider reviewing the assigned responsibilities to determine the feasibility of further segregation of duties or investigate mitigating controls.

Response

The Town of Summit, Mississippi will review assigned responsibilities to determine if further segregation of duties is possible and if mitigating controls can be established.

SECTION 3 - FINDINGS - FEDERAL AWARDS PROGRAM

No audit findings required to be reported by section 510(a) of Circular A-133 were reported.

STATE COMPLIANCE SECTION

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

To the Honorable Mayor and Board of Councilpersons

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 Summit, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town of Summit, Mississippi's basic financial statements and have issued our report thereon dated May 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of Summit, Mississippi'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.

Haddox Reid Burkess & Calhoun PLLC

May 2, 2011