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TOWN OF WALNUT GROVE, MISSISSIPPI

AUDIT REPORT

September 30, 2010

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TOWN OF WALNUT GROVE, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, for the year ended September 30, 2010. The combined statement of cash receipts and disbursements is the responsibility of the Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on the combined statement of cash receipts and disbursements based on our audit.

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

As described more fully in Note 1, Town of Walnut Grove, Mississippi, has prepared this financial statement using accounting practices prescribed or permitted for towns with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000 by State of Mississippi Office of State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

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In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the combined statement of cash receipts and disbursements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Town of Walnut Grove, Mississippi, as of September 30, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the Town of Walnut Grove, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statement.

In our opinion, the combined statement of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of each fund of Town of Walnut Grove, Mississippi for the year ended September 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2011, on our consideration of the Town of Walnut Grove, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined statement of cash receipts and disbursements taken as a whole. The accompanying schedule of long-term debt, schedule of investments, schedule of capital assets, and schedule of surety bonds for municipal officials are presented for the purpose of additional analysis and are not a required part of the combined statement of cash receipts and disbursements. Such information has been subjected to the auditing procedures applied in the audit of the combined statement of cash receipts and disbursements and, in our opinion, are fairly stated in all material respects in relation to the combined statement of cash receipts and disbursements taken as a whole.

Butchart, Elzey & Associates

Canton, Mississippi
August 17, 2011

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2010

	<u>General</u>	Proprietary <u>Funds</u>	Totals (Memorandum Only)	
			<u>2010</u>	<u>2009</u>
<u>Revenue Receipts:</u>				
General Property Taxes	\$ 37,778	\$ -	\$ 37,778	\$ 34,104
Licenses and Permits	1,268		1,268	2,875
In Lieu of Taxes and Impact Fees	180,571		180,571	166,465
Public Utility Franchise	18,747		18,747	18,493
Intergovernmental Revenues:				
Hurricane Katrina CDBG	123,468		123,468	725,410
State Shared Revenues:				
General Municipal Aid	253		253	254
Sales Tax	151,583		151,583	69,701
Gasoline Tax	1,342		1,342	1,342
Public Safety			-	7,940
Fire Insurance Premium Tax Distribution	2,658		2,658	2,579
Homestead Exemption	2,855		2,855	3,235
TVA in Lieu of Taxes	9,232		9,232	7,573
County Revenue:				
Auto and regular Advalorem	24,921		24,921	25,445
Fire Protection	10,074		10,074	10,218
Charges for Services:				
Gas Utility		1,036,911	1,036,911	1,077,202
Water and Sewer Utility		279,611	279,611	212,243
Garbage Fees	22,723		22,723	23,196
Police Fines	11,158		11,158	8,230
Rental Income	42,500		42,500	16,500
Interest Income	545	945	1,490	1,723
Recreational Funds	6,000		6,000	15,000
Other Income	2,756	-	2,756	1,330
	<u>\$ 650,432</u>	<u>\$ 1,317,467</u>	<u>\$ 1,967,899</u>	<u>\$ 2,431,058</u>
<u>Total Receipts</u>				
<u>Other Receipts:</u>				
Capital Lease Obligations	\$ -	\$ -	\$ -	\$ 56,970
Loans and Transfers	56,657	-	56,657	70,289
	<u>\$ 56,657</u>	<u>\$ -</u>	<u>\$ 56,657</u>	<u>\$ 127,259</u>
<u>Total Other Receipts</u>				
	<u>\$ 707,089</u>	<u>\$ 1,317,467</u>	<u>\$ 2,024,556</u>	<u>\$ 2,558,317</u>
<u>Total Receipts</u>				
Cash Balance - Beginning of Year	<u>235,988</u>	<u>295,531</u>	<u>531,519</u>	<u>409,289</u>
<u>TOTAL AMOUNT TO ACCOUNT FOR</u>	<u>\$ 943,077</u>	<u>\$ 1,612,998</u>	<u>\$ 2,556,075</u>	<u>\$ 2,967,606</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2010

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2010</u>	<u>2009</u>
<u>Operating Disbursements:</u>				
General Government (Executive and Financial)				
Personnel	\$ 64,588	\$ -	\$ 64,588	\$ 80,277
Other	94,645		94,645	66,083
Public Safety:				
Police				
Personnel	187,527		187,527	136,303
Court fees, jail costs, supplies	19,567		19,567	35,986
Fire	4,501		4,501	3,321
Highways and Streets:				
Lights and Maintenance	17,392		17,392	17,704
Sanitation - Garbage Collection	7,742		7,742	5,633
Culture and Recreation:				
Ball fields	20,460		20,460	-
Libraries	48,171		48,171	44,282
Enterprises:				
Water and Sewer Utility:				
Personnel		36,184	36,184	34,327
Maintenance and Power		133,872	133,872	117,405
Other		15,324	15,324	6,491
Gas Utility:				
Personnel		240,721	240,721	225,006
Gas Purchases		417,403	417,403	529,288
Maintenance and Power		55,943	55,943	69,514
Other		57,588	57,588	92,654
Interest on Loans	1,757	5,333	7,090	13,421
COPS Grant Repayment	5,294	-	5,294	3,273
	<u>471,644</u>	<u>962,368</u>	<u>1,434,012</u>	<u>1,480,968</u>
Total Operating Disbursements	\$	\$	\$	\$
<u>Other Disbursements:</u>				
Bank Loans/ Capital Leases Paid	\$ 19,951	\$ 52,982	\$ 72,933	\$ 51,982
Capital Outlay	136,745	49,774	186,519	832,848
Loans and Transfers	-	56,657	56,657	70,289
	<u>156,696</u>	<u>159,413</u>	<u>316,109</u>	<u>955,119</u>
Total Other Disbursements	\$	\$	\$	\$
	<u>628,340</u>	<u>1,121,781</u>	<u>1,750,121</u>	<u>2,436,087</u>
Total Disbursements	\$	\$	\$	\$
	<u>314,737</u>	<u>491,217</u>	<u>805,954</u>	<u>531,519</u>
Cash Balance - End of Year	\$	\$	\$	\$
	<u>943,077</u>	<u>1,612,998</u>	<u>2,556,075</u>	<u>2,967,606</u>
TOTAL AMOUNT ACCOUNTED FOR	\$	\$	\$	\$

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Town of Walnut Grove, Mississippi, is a municipal corporation governed by an elected Mayor and a five member Board of Aldermen. The Town provides services as follows: general government, public safety – police, public safety – fire, streets, culture and recreation, public property, water, sewer, gas and sanitation. The Town is subject to the legal budgetary and audit requirements of the Mississippi Department of Audit for municipalities with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000.

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

FUND ACCOUNTING

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into the following categories: governmental and proprietary.

GOVERNMENTAL FUNDS

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

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

The preparation of financial statements in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor requires management to make estimates and assumptions that affect and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENCUMBRANCES

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

COMPENSATED ABSENCES

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT AND EQUIPMENT

GENERAL FIXED ASSETS ACCOUNT GROUP

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

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

REPORT CLASSIFICATIONS

Receipts and disbursements were classified according to requirements for municipalities with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000 in the state of Mississippi as prescribed by the Office of the State Auditor.

PROPERTY TAXES

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

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2010 was 1.325 per \$100.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2010, the carrying amount of the Town's deposits was \$805,954, and the bank balance was \$822,519. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Town's investments consist solely of certificates of deposit-Category 1 type investments.

NOTE 3 – LEASE REVENUE

The Town leases buildings under short-term operating leases.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and Town of Walnut Grove is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. Town of Walnut Grove's contributions to PERS for the years ended September 30, 2010, 2009 and 2008 were \$43,462, \$37,523, and \$33,077 respectively, equal to the required contributions for each year. In addition, in the year ended September 30, 2010, there was an additional amount of \$20,441 paid for prior years' contributions for town officials that should have been covered but were not.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 5 – CHANGES IN LONG-TERM DEBT

The following is a summary of notes payable transactions of the Town for the year ended September 30, 2010.

WATER AND SEWER FUND

Balance of notes payable at October 1, 2009	\$274,573
Principal payments made during the year:	
Trustmark	(15,586)
Mississippi Department of Economic & Community Development	(<u>37,396</u>)
Balance of Notes Payable at 9/30/10	<u>\$221,591</u>
Long-term debt at September 30, 2010 consisted of the following:	
4.07% note payable to Trustmark, due in five annual installments of \$16,880, beginning October 7, 2006.	\$ 16,220
3 % note payable to Mississippi Department of Economic and Community Development, due in 180 monthly installments of \$3453, beginning February 1, 2000.	<u>205,371</u>
	\$221,591
Less current portion	<u>52,025</u>
Long-term Debt	<u>\$169,566</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 52,025	\$ 6,290	\$ 58,315
2012	36,894	4,541	41,435
2013	38,016	3,419	41,435
2014	39,172	2,263	41,435
2015	40,364	1,071	41,435
Thereafter	<u>15,120</u>	<u>86</u>	<u>15,206</u>
	<u>\$221,591</u>	<u>\$ 17,670</u>	<u>\$239,261</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Balance of outstanding debt at October 1, 2009	\$ 62,389
Capital lease obligation incurred during year	-0-
Principal payments made during year	(<u>25,244</u>)
Balance of outstanding debt at September 30, 2010	<u>\$ 37,145</u>

Long-term debt at September 30, 2010 consisted of the following:

1.0% Note to repay COPS grant, due in 60 monthly payments of \$334.59 through March 2011.	\$ 1,670
3.4% Capital lease on two patrol cars and one service truck, due in 36 monthly payments of \$1,665.62 through August 2012.	<u>35,475</u>
	\$ 37,145
Less current portion	<u>19,132</u>
Long-term Debt	<u>\$ 18,013</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 19,132	\$ 863	\$ 19,995
2012	<u>18,013</u>	<u>308</u>	<u>18,321</u>
	<u>\$ 37,145</u>	<u>\$ 1,171</u>	<u>\$ 38,316</u>

NOTE 6 – COMMUNITY DEVELOPMENT BLOCK GRANT

The Town of Walnut Grove has been approved for a Hurricane Katrina Supplemental Community Development Block Grant to be used in making improvements to its lagoon system. The total amount of the grant consists of \$916,680 of federal funds. During the year ended September 30, 2010 the Town received and expended \$123,468 of the grant funds. During the year ended September 30, 2009 the Town received and expended \$725,410 of the grant funds.

NOTE 7 – CONTINGENT LIABILITIES

GRANT AUDIT

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

RISK MANAGEMENT

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

SUPPLEMENTAL INFORMATION

TOWN OF WALNUT

SUPPLEMENTARY SCHEDULE OF LONG

September 30,

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

GROVE, MISSISSIPPI

TERM DEBT - ALL FUNDS

2010

<u>FINAL MATURITY DATE</u>	<u>BALANCE OUTSTANDING 10/1/2009</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE OUTSTANDING 9/30/2010</u>
10/7/2010	\$ 31,806	\$ -	\$ 15,586	\$ 16,220
1/1/2016	\$ 242,767	\$ -	\$ 37,396	\$ 205,371
	<u>\$ 274,573</u>	<u>\$ -</u>	<u>\$ 52,982</u>	<u>\$ 221,591</u>
3/1/2011	\$ 6,963	\$ -	\$ 5,293	\$ 1,670
8/10/2012	\$ 55,426	\$ -	\$ 19,951	\$ 35,475
	<u>\$ 62,389</u>	<u>\$ -</u>	<u>\$ 25,244</u>	<u>\$ 37,145</u>
	<u>\$ 336,962</u>	<u>\$ -</u>	<u>\$ 78,226</u>	<u>\$ 258,736</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF INVESTMENTS – ALL FUNDS

For The Year Ended September 30, 2010

<u>OWNERSHIP</u>	<u>TYPE OF</u>	<u>INTEREST</u>	<u>ACQUISITION</u>	<u>MATURITY</u>	<u>OTHER</u>	<u>INVESTMENT</u>
<u>INVESTMENT</u>	<u>INVESTMENT</u>	<u>RATE</u>	<u>DATE</u>	<u>DATE</u>	<u>INFORMATION</u>	<u>COST/VALUE</u>
Enterprise Fund - Water Dept.	Certificate of Deposit	1.50%	9/10/10	9/10/11	Bank of Walnut Grove	\$ 3,000
Enterprise Fund - Gas System	Certificate of Deposit	1.50%	8/29/10	8/29/11	Bank of Walnut Grove	\$20,000
Gas System	- Certificate of Deposit	1.50%	9/12/10	9/12/11	Bank of Walnut Grove	<u>\$24,756</u>
TOTAL INVESTMENTS:						<u>\$47,756</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS

For the Year Ended September 30, 2010

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land	\$ 84,829			\$ 84,829
Buildings	376,703			376,703
Machinery and Equipment	405,371	13,276	20,040	398,607
Construction in process	<u>725,410</u>	<u>123,468</u>		<u>848,878</u>
Total Governmental activities capital assets	<u>\$1,592,313</u>	<u>\$ 136,744</u>	<u>\$ 20,040</u>	<u>\$ 1,709,017</u>
Business-type activities				
Capital Assets:				
Land	\$ 237,071			\$ 237,071
Buildings	80,545			80,545
Machinery and Equipment	290,504	23,500		314,004
Gas system	660,309			660,309
Water and sewer system	<u>3,763,626</u>	<u>26,274</u>		<u>3,789,900</u>
Total Business-type activities capital assets	<u>\$5,032,055</u>	<u>\$ 49,774</u>	<u>\$ -0-</u>	<u>\$5,081,829</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SUPPLEMENTARY SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS

September 30, 2010

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

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements and supplemental information of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2010, and have issued our report dated August 17, 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 regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the combined statement of cash receipts and disbursements and supplemental information disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are described as the accompanying schedule of findings and responses as item 2010-3.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

Butchart, Ellzey & Associates

Canton, Mississippi
August 17, 2011

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Member AICPA Private Companies Practice Section

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated August 17, 2011. The report on the 2010 combined statement of cash receipts and disbursements stated the financial statement was presented using the cash receipts and disbursements regulatory basis of accounting prescribed or permitted for towns with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000, by the State of Mississippi Office of State Auditor. The effect on the combined statement of cash receipts and disbursements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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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 responses to be material weaknesses. These findings are labeled as items 2010-1 and 2010-2

Compliance and Other Matters

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

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

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

Butchart, Elzey & Associates

Canton, Mississippi
August 17, 2011

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2010

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Deficiency Number 2010-1

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

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

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

Response: The Town concurs with the recommendation. The Town has hired a deputy clerk to help with the separation of accounting duties.

Material Deficiency Number 2010-2

Condition The Town implemented a new computerized general ledger system during the year ended September 30, 2010.

Criteria: This system created a clearing account from which all of the funds expenditures were made, with corresponding transfers made from each fund to the clearing account. At times during the year these interfund receivables and payables did not balance between the Town's funds and the clearing account.

Recommendation: We recommend that the Town employees receive additional training to ensure that the accounting software is properly implemented.

Response: The Town employees have obtained additional training in the subsequent year.

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2010

COMPLIANCE WITH STATE LAWS AND REGULATIONS

Finding Number 2010-3

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

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

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