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**TOWN OF BUDE, MISSISSIPPI**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

RECEIVED
APR 12 2012

*VERBALEE B. WATTS*
*CERTIFIED PUBLIC ACCOUNTANT*

**TOWN OF BUDE, MISSISSIPPI**

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# INDEPENDENT AUDITOR'S REPORT

*VERBALEE B. WATTS*
*CERTIFIED PUBLIC ACCOUNTANT*
*602 W. CONGRESS ST.*
*P.O. BOX 226 TELEPHONE 833-8683*
*BROOKHAVEN, MISSISSIPPI 39601*

*Member of Mississippi Society Of Certified Public Accountants*

*Member of American Institute Of Certified Public Accountants*

November 10, 2011

**INDEPENDENT AUDITOR'S REPORT**

Mayor and Board of Aldermen
Town of Bude, Mississippi

We have audited the accompanying Combined Statement of Cash Receipts and Disbursements, governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bude, Mississippi, as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements and schedules are the responsibility of the Town of Bude's management. Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Management has not presented government-wide financial statements to display the cash receipts and disbursements of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America, as applied to the Town's cash receipts and disbursements basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements resulting from cash receipts and disbursements transactions for the Town's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with the basis of accounting described in Note 1, the cash receipts and disbursements financial position of the Town of Bude, Mississippi for the year then ended.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2011 on my consideration of the Town of Bude's internal control over financial reporting and my 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 my 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 my audit.

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

Our audit was conducted for the purpose of forming an opinion on the Combined Statement of Cash Receipts and Disbursements (All Funds) that comprise the Town of Bude, Mississippi's basic financial statements. The accompanying supplemental schedules as listed in the table of contents are presented as supplemental information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

VERBALEE B. WATTS & ASSOCIATES

Verbalee B. Watts
Certified Public Accountant

# FINANCIAL STATEMENTS

**TOWN OF BUDE, MISSISSIPPI**

COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

| | --- Governmental Activities --- | | Business-Type | --- Memorandum Only --- | |
|---|---|---|---|---|---|
| | | Special | Water | Totals | |
| | General | Revenue | Fund | 2011 | 2010 |
| **REVENUE RECEIPTS** | | | | | |
| General Property | $ 131,846 | $ - | $ - | $ 131,846 | $ 138,464 |
| Licenses and Permits | 2,183 | - | - | 2,183 | 2,020 |
| Franchise Tax | 28,900 | - | - | 28,900 | 24,672 |
| Railroad Revenue | 3,691 | - | - | 3,691 | 3,634 |
| **Intergovernmental Revenues:** | | | | | |
| General Municipal Aid (From State) | 8,946 | - | - | 8,946 | 9,102 |
| Franklin County | 3,500 | - | - | 3,500 | 3,500 |
| **State Shared Revenues:** | | | | | |
| Grand Gulf | 14,866 | - | - | 14,866 | 14,768 |
| Sales Tax | 111,872 | - | - | 111,872 | 112,528 |
| Homestead Exemption Reimbursement | 12,470 | - | - | 12,470 | 12,836 |
| **Charges for Services:** | | | | | |
| Water/Sewer Utility | - | - | 132,752 | 132,752 | 148,462 |
| Fines and Forfeitures | 7,917 | - | - | 7,917 | 11,041 |
| **TOTAL REVENUE RECEIPTS** | 326,191 | - | 132,752 | 458,943 | 481,027 |
| **OTHER RECEIPTS** | | | | | |
| Other Fund Transfers In | 14,359 | 266 | - | 14,625 | 98,626 |
| Rents | 31,015 | - | - | 31,015 | 41,933 |
| Interest | 5,087 | - | 994 | 6,081 | 6,988 |
| Miscellaneous | 4,216 | - | 1,129 | 5,345 | 11,776 |
| Grant Funds | - | 371,996 | - | 371,996 | 121,329 |
| **TOTAL OTHER RECEIPTS** | 54,677 | 372,262 | 2,123 | 429,062 | 280,652 |
| **TOTAL RECEIPTS** | 380,868 | 372,262 | 134,875 | 888,005 | 761,679 |
| **CASH BALANCE - BEGINNING OF YEAR** | 417,721 | 2,868 | 151,505 | 572,094 | 586,612 |
| **TOTAL AMOUNT TO ACCOUNT FOR** | $ 798,589 | $ 375,130 | $ 286,380 | $ 1,460,099 | $ 1,348,291 |

The accompanying notes are an integral part of these financial statements.

**TOWN OF BUDE, MISSISSIPPI**

COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

| | --- Governmental Activities --- | | Business-Type | --- Memorandum Only --- | |
|---|---|---|---|---|---|
| | | Special | Water | Totals | |
| | General | Revenue | Fund | 2011 | 2010 |
| **CASH DISBURSEMENTS** | | | | | |
| Donations | $ 100 | $ - | $ - | $ 100 | $ - |
| Dues and Memberships | 6,946 | - | - | 6,946 | - |
| Salaries | 174,604 | - | - | 174,604 | 153,740 |
| Retirement | 19,697 | - | - | 19,697 | 17,474 |
| Payroll Taxes | 13,358 | - | - | 13,358 | 11,761 |
| Repairs | 6,561 | - | 37,066 | 43,627 | 78,448 |
| Supplies | 2,876 | - | 24,126 | 27,002 | 29,648 |
| Other Services | - | - | 6,600 | 6,600 | 53,687 |
| Insuranee | 50,150 | - | - | 50,150 | 52,208 |
| Gas & Oil | 555 | - | 13,143 | 13,698 | 6,764 |
| Legal and Professional | 28,630 | - | - | 28,630 | 45,444 |
| Equipment | 1,557 | - | - | 1,557 | 28,016 |
| Utilities | 23,204 | - | 21,180 | 44,384 | 44,957 |
| Library Expense | 19,500 | - | - | 19,500 | 19,500 |
| Interest on Notes | - | - | 432 | 432 | - |
| Note Payable CAP Loan | - | - | 5,673 | 5,673 | 5,453 |
| Telephone | 5,002 | - | - | 5,002 | 4,073 |
| Travel Expense | 9,461 | - | - | 9,461 | 5,764 |
| Waste Water Operator | 6,250 | - | - | 6,250 | 7,150 |
| Capital Outlay | - | - | - | - | 27,256 |
| 2011 Grant Expenses | - | 371,996 | - | 371,996 | 69,634 |
| Election Expense | - | - | - | - | - |
| Other Fund Transfers | | 2,868 | 5,484 | 8,352 | 76,809 |
| State Assessments Paid | 5,777 | - | - | 5,777 | 8,761 |
| Land Redemption | - | - | - | - | 11,923 |
| Other Miscellaneous Expense | 7,144 | - | 7,064 | 14,208 | 17,727 |
| **TOTAL DISBURSEMENTS** | 381,372 | 374,864 | 120,768 | 877,004 | 776,197 |
| **CASH BALANCE-END OF YEAR** | 417,217 | 266 | 165,612 | 583,095 | 572,094 |
| **TOTAL AMOUNT ACCOUNTED FOR** | $ 798,589 | $ 375,130 | $ 286,380 | $ 1,460,099 | $ 1,348,291 |

The accompanying notes are an integral part of these financial statements.

(1) **Summary of Significant Accounting Policies**

The Town of Bude operates under a Mayor/Alderman form of government and provides services as authorized by law.

A. Reporting Entity

The financial statements of the Town consist of all the funds of the Town.

B. 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, 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 means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into the following categories:

GOVERNMENTAL FUNDS

GENERAL FUND

General Fund - 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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from the General Fund.

PROPRIETARY FUNDS

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

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. Special Revenue Funds include the CDBG and Home Grant Program.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. This includes an Expendable Trust Fund. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

C. Basis of Accounting

The financial statements are prepared on a cash receipts and disbursements basis, as prescribed by the Mississippi State Department of Audit. 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.

D. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

E. Cash

The Town deposits excess funds in the financial institution selected by the board of aldermen in accordance with state statutes.

Cash consists of amounts on deposit with a financial institution, all of which are in interest bearing demand accounts and saving accounts.

Various restrictions on these deposits are imposed by State statutes.
These restrictions are summarized as follows:

> All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance (FSLIC) must be collateralized in an amount equal to 105% of the uninsured amount. The collateral must be on deposit with the Town Clerk.

F. Investments

The Town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

(2) **Report Classification**

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

(3) **Property Tax**

Property taxes attach as an enforceable lien on property as of January I. Taxes are levied as of January I and payable on or before February 1. The county tax collector prepares, collects and transmits both real estate and personal property tax receipts to the Town of Bude each month. The cover sheet attached details type of tax, etc. being transmitted. The millage rate for the Town of Bude for January through December, 2011 was 35.00 mills, broken down as follows:

| Fund | Mills |
|---|---|
| General Fund (Includes fire) | 31.65 |
| Special Street Fund | 3.35 |
| | 35.00 |

Restrictions associated with property tax levies are established by state law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which results from those levies' assessments of the previous year.

The "Schedule of Reconciling Original Ad Valorem Tax Rolls to Fund Collection of 2011 Ad Valorem Taxes" is included under supplemental information.

(4) **Defined Benefit Pension Plan**

Plan Description - The Town of Bude 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 were required to contribute 9% and the Town of Bude contributes 12% of covered salaries. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Bude's contributions to PERS for the years ending September 30, 2011, 2010, and 2009 were $19,697, $17,474, and $17,399, respectively, equal to the required contributions for each year.

(5) **Cash and Investments**

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(6) **Long - Term Commitment**

There were no Long – Term Commitments.

## (7) Commitments and Contingencies

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which to Town of Bude carries commercial insurance.

Grant monies received and disbursed by the Town of Bude, Mississippi, are for specific purposes and are subject to audit and review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Town does not believe that such disallowances, if any, would have a material effect on the financial position of the Town.

## (8) General Long - Term Debt

A schedule of long-term debt is on page 14 of this report.

Following is a summary of note payable maturities:

| Year Ending September 30, | Water & Sewer Cap Loan |
|---|---|
| 2012 | $ 5,851 |
| 2013 | 2,171 |
| | $ 8,022 |

## (9) Interfund Receivables/Payables

The following is a summary of Interfund receivables and payables as of September 30, 2011:

| Amount | Due To | Due From |
|---|---|---|
| $5,446.15 | General Fund | Clearing Fund |
| 266.39 | General Fund | CDBG Fund |
| $5,712.54 | **Total** | |

## (10) Subsequent Events

There were no subsequent events that would affect these financial statements.

**SUPPLEMENTAL INFORMATION**

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS OF 2010 AD VALOREM TAXES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Assessed Value | | Tax |
|---|---|---|---|
| **ADJUSTED ASSESSED VALUATION:** | | | |
| **TOWN:** | | | |
| Realty | $ 2,349,657 | | |
| Personal – Other than auto & MH | 1,131,581 | | |
| Personal – Auto, MH & OL | 687,790 | | |
| Less: Homestead Exemption | (433,337) | | |
| **Total Town @ 35.00 Mills** | $ 3,735,691 | $ 130,749 | |
| Unpaid Taxes | | (8,073) | $ 122,676 |
| **Add:** Actual homestead reimbursement | | | 12,470 |
| Payment in Lieu of taxes (Grand Gulf) | | | 14,866 |
| Prior year tax collection | | | 9,160 |
| County rail tax and other vehicle assessments | | | 5,874 |
| **Total to be Accounted For** | | | $ 165,046 |

| | Taxes | Homestead Reimbursement | Totals |
|---|---|---|---|
| **COLLECTION CREDITS:** | | | |
| General Fund (Includes Fire Dept.) | $ 152,576 | $ 12,470 | $ 165,046 |
| **Total Accounted For** | | | $ 165,046 |

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF TAX LEVIES (COMPARATIVE)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Mills** | **Percent** | **Mills** | **Percent** |
| General Fund | 31.40 | 89.71 | 31.40 | 89.71 |
| Fire Protection Fund | .25 | .72 | .25 | .72 |
| Special Street Fund | 3.35 | 9.57 | 3.35 | 9.57 |
| | 35.00 | 100.00 | 35.00 | 100.00 |

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2011

**GENERAL FUND:**

| | |
|---|---|
| Certificate of Deposit | |
| ***General Improvement*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8384 @ .5% Interest | $ 15,122 |
| ***General Improvement*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8391 @ .5% Interest | 10,081 |
| ***General Fund*** | |
| February 4, 2011 – Due 12 months after deposit | |
| #4636 @ .75% Interest | 11,997 |
| ***Law Enforcement*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8387 @ .5% Interest | 1,612 |
| ***Special Street Improvement*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8388 @ .5% Interest | 10,081 |
| ***Fire Department*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8390 @ .5% Interest | 10,144 |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8389 @ .5% Interest | 10,104 |
| **TOTAL GENERAL FUND** | $ 69,141 |

**DEBT SERVICE FUND:**

| | |
|---|---|
| Certificate of Deposit | |
| ***Gas System Construction Fund*** | |
| March 09, 2011 – Due 12 months after deposit | |
| #4355 @ 1% Interest | $ 733 |
| **TOTAL DEBT SERVICE FUND** | $ 733 |

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2011
(CONTINUED)

| | |
|---|---|
| **ENTERPRISE FUND:** | |
| Certificate of Deposit | |
| ***Water and Sewer Fund – Depreciation & Contingent*** | |
| Issued October 07, 2011 – Matures April 07, 2012 | |
| #8386 @ .5% Interest | $ 10,081 |
| **TOTAL ENTERPRISE FUND** | $ 10,081 |
| **TRUST AND AGENCY FUND:** | |
| Certificate of Deposit | |
| ***Employment Compensation Revolving Fund*** | |
| April 25, 2011 - Due 12 months after deposit | |
| #4608 @ 1% Interest | $ 4,617 |
| **TOTAL TRUST AND AGENCY FUND** | $ 4,617 |
| **TOTAL INVESTMENTS – ALL FUNDS** | $ 84,572 |

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2011

| Name | Position | Company | Bond |
|---|---|---|---|
| Thomas Earl Case | Mayor | Western Surety Co. | $ 206,000 |
| | | MS Municipalities Bond Program (4 Year Bond – 7/6/09 – 7/6/13) | $ 25,000 |
| Marilyn Faust | Tax Collector | Western Surety Co. | $ 206,000 |
| | Town Clerk | Brierfield Insurance Co. | $ 50,000 |
| Gordon Dover | Marshall | Brierfield Insurance Co. | $ 50,000 |
| Everette Marshall | Deputy Marshall | United States Fidelity and Guaranty Co. | $ 25,000 |
| Kenneth Peeples, Grady Huff, Fannie Brown, Lee Jay Romero, III, and Tommy Gibbs, Sr. | Aldermen | MS Municipalities Bond Program c/o Scott Insurance (4 Year Bond – 7/6/09 – 7/6/13) | $ 25,000 |

**TOWN OF BUDE, MISSISSIPPI**
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Balance Outstanding 9-30-10 | Transactions During Fiscal Year Issued | Redeemed | Balance Outstanding 9-30-11 |
|---|---|---|---|---|
| **OTHER LONG – TERM DEBT:** | | | | |
| *Water and Sewer Fund:* | | | | |
| N/P – Cap Loan | $ 13,695 | $ --- | $ 5,673 | $ 8,022 |

# COMPLIANCE AND INTERNAL CONTROL REPORT

*VERBALEE B. WATTS*
*CERTIFIED PUBLIC ACCOUNTANT*
*602 W. CONGRESS ST.*
*P.O. BOX 226 TELEPHONE 833-8683*
*BROOKHAVEN, MISSISSIPPI 39601*

*Member of Mississippi Society*
*Of Certified Public Accountants*

*Member of American Institute*
*Of Certified Public Accountants*

November 10, 2011

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

Mayor and Board of Alderman
Town of Bude, Mississippi

We have audited the combined Statement of Cash Receipts and Disbursements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bude, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the Town of Bude, Mississippi's Cash Receipt and Disbursements and have issued a report thereon dated November 10, 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 Bude, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Cash Receipts and Disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bude, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bude, 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 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.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Town of Bude, Mississippi's Cash Receipts and Disbursements 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 Cash Receipts and Disbursements 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*.

This report is intended for the information of the Mayor and Board of Alderpersons, management, others within the organization, 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.

VERBALEE B. WATTS & ASSOCIATES

Verbalee B. Watts
Certified Public Accountant

*VERBALEE B. WATTS*
*CERTIFIED PUBLIC ACCOUNTANT*
*602 W. CONGRESS ST.*
*P.O. BOX 226 TELEPHONE 833-8683*
*BROOKHAVEN, MISSISSIPPI 39601*

*Member of Mississippi Society Of Certified Public Accountants*

*Member of American Institute Of Certified Public Accountants*

November 10, 2011

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

To the Mayor and Board of Aldermen
Town of Bude, Mississippi

We have audited the combined Statement of Cash Receipts and Disbursements of the Town of Bude as of and for the year ended September 30, 2011 and have issued our report dated November 10, 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 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 our procedures and our audit of the combined Statement of Cash Receipts and Disbursements disclosed no material instance of noncompliance with state laws and regulations.

This report is intended for the information and use of 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.

VERBALEE B. WATTS & ASSOCIATES

Verbalee B. Watts

Verbalee B. Watts
Certified Public Accountant