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TOWN OF WESSON

AUDIT REPORT

SEPTEMBER 30, 2003

TOWN OF WESSON
For the Year Ended September 30, 2003

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Charles R. Hart
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying Combined Statement of Receipts and Disbursements of the Town of Wesson, Mississippi, for the year ended September 30, 2003, as listed in the Table of Contents. This financial statement is the responsibility of Town of Wesson, Mississippi, management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note A, Town of Wesson, Mississippi, prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Mississippi, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In my opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of Town of Wesson, Mississippi, as of September 30, 2003, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2004, on my consideration of Town of Wesson, State of Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the Combined Statement of Receipts and Disbursements taken as a whole. The accompanying schedules are presented for purposes of additional analysis and are not a required part of the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the examination of the financial statement and, in my opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Charles R. Hart
Certified Public Accountant

January 21, 2004
Wesson, Mississippi

Exhibit 1

Town of Wesson
Combined Statement of Receipts & Disbursements
(All Funds)
Year Ended September 30, 2003

	Governmental Funds	Proprietary Fund	Capital Projects	(Memo Only)
	General	Water /Sewer	Old Wesson Sch	Total
Revenue Receipts:				
General Property Taxes	138,314			138,314
Licenses & Permits	6,464			6,464
Franchise Taxes	41,584			41,584
Intergovernmental Revenues:				
State Shared Revenues:				
Sales Tax	107,695			107,695
Grand Gulf-In Lieu	17,430			17,430
Fire Protection	7,652			7,652
Old Wesson School Renovation			340,000	340,000
Homestead Expt Reimbursement	8,298			8,298
Municipal Aid & Gasoline Tax	5,260			5,260
Copiah County-Fire Rebate	10,029			10,029
Fines & Forfeits	71,205			71,205
Charges for Services:				
Water, Sewer, & Garbage		314,545		314,545
Total Revenue Receipts	413,931	314,545	340,000	1,068,476
Other Receipts:				
Administrative Fee-Water Dept.	12,000			12,000
Interest Income, Refunds, Misc.	6,601	38,057		44,658
Loan Proceeds-Old Wesson School			68,000	68,000
Other non-revenue receipts		1,237		1,237
Tap & Connect Fees		6,764		6,764
Penalties		2,754		2,754
Total Other Receipts	18,601	48,812	68,000	135,413
Total Receipts	432,532	363,357	408,000	1,203,889
Cash Balance Beginning				
Unrestricted	132,609	38,338		170,947
Restricted		109,466		109,466
Total Amount To Account For	565,141	511,161	408,000	1,484,302

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

Exhibit 1 - Continued

Town of Wesson
Combined Statement of Receipts & Disbursements
(All Funds)
Year Ended September 30, 2003

	Governmental Funds General	Proprietary Fund Water/Sewer	Capital Projects Old Wesson Sch	(Memo Only) Total
Operating Disbursements:				
General Government	143,444			143,444
Police	120,638			120,638
Streets	73,780			73,780
Fire	21,695			21,695
Library	8,998			8,998
Water & Sewer		215,324		215,324
Cops Grant Program	57,993			57,993
Total Operating Disbursements	426,548	215,324	0	641,872
Other Disbursements:				
Debt Service-Principal		47,270	68,000	115,270
Debt Service-Interest		21,418	800	22,218
Garbage Fees		31,584		31,584
Capital Outlay-Old Wesson School			224,195	224,195
Other Non-Operating Disbursements	4,636	1,264		5,900
Total Other Disbursements	4,636	101,536	292,995	399,167
Total Disbursements	431,184	316,860	292,995	1,041,039
Cash Balance End of Year				
Unrestricted	133,957	71,997	115,005	320,959
Restricted		122,304		122,304
Total Amount Accounted For	565,141	511,161	408,000	1,484,302

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

Town of Wesson, Mississippi
Notes to the Financial Statement

Year Ended September 30, 2003

Note A: Summary of Significant Accounting Policies

General Information
The Town of Wesson, Mississippi, operates under the Mayor/Board of Alderman form of government and provides services as authorized by law.

Reporting Entity
The financial statement of the Town consists of all the funds of the Town.

Fund Accounting
The accounts of the Town of Wesson are organized on the basis of funds, each of which is considered a separate accounting entity.

Governmental Funds

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.

Proprietary Fund
The Proprietary Funds are used to account for activities that are similar in nature to profit oriented entities. This fund accounts for the Water & Sewer Department activities.

Basis of Accounting
Financial statements are prepared on a cash receipts and disbursements basis; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Restricted Assets
The Water and Sewer Fund (an Enterprise Fund), based on certain bond covenants, is required to establish and maintain prescribed amounts of resources consisting of cash and temporary investments that can be used only to service outstanding debt and make major repairs or improvements to the existing water and sewer system.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Encumbrance Accounting
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to serve that portion of the applicable appropriation, is not used by the Town of Wesson.

Budgets
The Town of Wesson follows these procedures in establishing the budgets:

1. Mayor prepares the proposed expenditure budgets during August of each year.

2. The Mayor and Clerk prepare estimates of available revenue.

3. Expenditure budgets are reviewed by the Mayor and Clerk and then submitted to the Board of Aldermen for review. Revisions are then communicated to the department heads.

4. Budgeted revenues and expenditures are balanced and presented to the Board of Aldermen by August 30. The final budget is approved in September.

5. The budget is formally amended as needed by the Board of Aldermen during the year.

6. The Town of Wesson prepares an annual budget for all funds on a cash basis.

Compensated Absences

It is the Town of Wesson's policy to permit employees to accumulate up to one week's unused vacation leave which will be paid to employees no later than the end of the year. Unused sick leave may accumulate up to thirty days which will be paid to employees upon separation from service to the Town. Expenditures for these items are recorded in the year actually paid to the employee.

Note B: Report Classifications

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

Note C: Investments

Investments are savings accounts and certificates of deposits.

Note D: Bond Ordinance Reserves

Water and Sewer Bonds issued to the Farmers Home Administration requires that all sums collected in the Water and Sewer Fund be set aside on the 15th of each month as follows:

a. Operating and Maintenance Fund - An amount to pay current operating expenses and to keep the system in good repair.

b. Bond and Interest Fund - Monthly deposits to provide the sum necessary to pay the next installment of principal and interest.

c. Cushion Fund - $300 each month until a balance of $52,000 is reached.

d. Contingent Fund - $100 each month until a balance of $15,000 is reached.

e. Depreciation Fund - $100 each month until a balance of $15,000 is reached.

Note 1: Items c., d., and e. have not been met at September 30, 2003, in the aggregate.

See the Schedule of Investments for the balance in the above funds.

Town of Wesson, Mississippi
Notes to the Financial Statement
Year Ended September 30, 2003

Note E: Cash balances reported on Exhibit 1 include checking accounts, savings accounts, and certificate of deposits. See Exhibit 2 and Exhibit 5 for an analysis of cash balances.

All certificates of deposit and savings accounts in the Water & Sewer Proprietary Fund are restricted accounts and reserved to meet FHA requirements or water meter deposits. See Note D for FHA requirements.

Note F: Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on January 1, for the preceding calendar year. Taxes are payable by February 28, with interest and damages accruing after that date. Tax sales for unpaid real property taxes are held in August. The Town of Wesson bills and collects its own property taxes. The Town's levy on automobile taxes is collected by Copiah County and remitted to the Town monthly.

Tax millage levies for the current fiscal year were as follows:

Fund	Millage	Purpose
General Fund	24.00	General
Library Fund	2.00	Public Library
Fire Department Fund	.25	Fire Protection
	26.25	

Note G: Defined Benefit Pension Plan

The Town of Wesson, 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.

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the Town of Wesson, Mississippi, is required to contribute at an actuarial determined rate. The current rate is 9.75% of annual covered payroll. The contribution of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Wesson's contributions to PERS for the year ending September 30, 2003, was $17,395, equal to the required contributions for the year.

Note H: Cash and Investments

Governmental accounting standards require that the carrying amounts of cash and investments as of the balance sheet date be categorized according to the level of credit risk associated with the Town of Wesson's cash and investments at that time. The level of credit risk is defined as follows:

Category 1 - Insured (including government securities), registered or collateralized with securities held by the Town of Wesson or its agent in the Town of Wesson's name.

Category 2 - Uninsured and unregistered, collateralized with securities held by the counter-party's trust department or agent in the Town of Wesson's name.

Category 3 - Uncollateralized, including balances collateralized with securities held by the pledging financial institution.

A summary of the carrying value of investments by category follows:

	Category 1	Total
September 30, 2003		
Checking balances	278,103	278,103
Certificates of deposit & savings balances	165,160	165,160
	443,263	443,263

All bank balances of deposits, including investments consisting of certificates of deposit, as of September 30, 2003, are entirely insured or collateralized with securities held by depository banks or their agents in the Town of Wesson's name.

Note I: Commitments and Contingencies

Grant monies received and disbursed by the Town of Wesson 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.

The Town belongs to the Mississippi Municipal Liability Plan which provides liability insurance coverage for most of the municipalities in Mississippi. Under this arrangement, the plan has the right to assess the members of the plan group if the assets of the plan are insufficient to cover its obligations. The Town management is not aware of any impending assessments by the plan.

Town of Wesson, Mississippi
Year Ended September 30, 2003

SUPPLEMENTAL INFORMATION

Exhibit 2

Town of Wesson
Schedule of Investments – All Funds
Year Ended September 30, 2003

Certificates of Deposit:		
General Funds:		
General Operating Fund:		
.50% dated July, 2003, due October 7, 2003 #66234		42,856
Proprietary Funds: (Water & Sewer)		
1.55% dated July 9, 2003, due October 7, 2003 #70387 - Water Meter Deposit Fund	26,795	
.40% dated December 5, 2003, due December 4, 2003 #70606 - Contingent Fund	7,386	
.40% dated September 5, 2003, due December 4, 2003 #70603 - Depreciation Fund	5,974	
.40% dated September 5, 2003, due December 4, 2003 #70604 - Cushion Fund	27,151	
1.45% dated December 16, 2002, due December 16, 2003 #65951 - FHA	4,300	
.77% dated September 12, 2003, due December 15, 2003 #70652 - FHA	4,300	
1.00% dated May 9, 2003, due December 15, 2003 #70150 - FHA	4,300	
1.00% dated April 9, 2003, due December 15, 2003 #70006 - FHA	4,300	
1.00% dated February 11, 2003, due December 15, 2003 #66147 - FHA	4,400	
1.00% dated January 10, 2003, due December 15, 2003 #66026 - FHA	4,200	
.77% dated August 13, 2003, due December 15, 2003 #70506 - FHA	4,300	
1.00% dated March 17, 2003, due December 15, 2003 #66267 - FHA	4,315	

Town of Wesson
Schedule of Investments – All Funds
Year Ended September 30, 2003

1.45% dated June 17, 2003, due December 15, 2003 #70290 - FHA	4,300	
1.00% dated July 11, 2003, due December 15, 2003 #70291 - FHA	4,300	
Total Proprietary CD's		110,321
Savings:		
Cushion Fund #3	2,450	
Contingent Fund #4	1,533	
Cushion Fund #4	6,817	
Depreciation Fund #4	1,183	
Total Proprietary Savings		11,983
Total Certificates Deposits & Savings - All Funds		165,160

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

Exhibit 3

Town of Wesson
Schedule of Long-Term Debt
Year Ended September 30, 2003

	Balance Outstanding Oct. 1, 2002	Transactions During Fiscal Year Issued	Redeemed	Balance Outstanding Sept. 30, 2003
Revenue Bonds:				
FHA Loan #1, September 5, 1975, Water & Sewer Improvements, $433,000	171,094		20,156	150,938
FHA Loan #2, February 18, 1976, Water & Sewer Improvements, $350,000	126,875		16,125	110,750
Total Revenue Bonds	297,969	0	36,281	261,688
Other Long-Term Debt:				
[(A)]Loan Payable, June 17, 1992, Water & Pollution Control, SRF $237,465	156,617		8,604	148,013
Old Wesson School Renovation Fire Station		68,000	68,000	0
Capital Improvement Fire Station	69,482		2,385	67,097
Total Other Long-Term Debt	226,099	68,000	78,989	215,110

[(A)] This loan is being repaid by monthly withholdings from the monthly sales tax settlement. Interest is amortized using the straight-line method.

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

Exhibit 4

Town of Wesson
Schedule of Surety Bonds Coverage
Year Ended September 30, 2003

Name	Position	Bond Amount
Alton Shaw	Mayor	$10,000
Linda Dykes	City Clerk	$50,000
Lance Falvey	Police Chief	$50,000
Pauline A. James	Deputy Clerk	$10,000
Police Officers	Various	$10,000

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

Exhibit 5

Town of Wesson
Schedule of Cash Balances – Checking Accounts
All Funds
Year Ended September 30, 2003

General Funds:		
General Operating Fund	58,738	
Fire Department	23,250	
Library Fund	9,113	
Old Wesson School Renovation	115,005	
Total General Funds - Checking		206,106
Proprietary Funds (Water & Sewer):		
Operating Account - Trustmark Bank	68,680	
Meter Deposit Fund	3,317	
Total Proprietary Funds - Checking		71,997
Total Checking Accounts		278,103

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

Exhibit 6

Town of Wesson
Schedule of Solid Waste Management Services
Year Ended September 30, 2003

Site: Town of Wesson
Period of Report: October 1, 2002, through September 30, 2003

Date	For this Period	Budgeted this Period	Year to Date	Budgeted Year to Date
Total annual cost	31,584	30,000	31,584	30,000
Cost per capita (total cost divided by total population)	18.73	17.79	18.73	17.79

Summary of Costs Report
For Year Ended September 30, 2003

Operating costs (direct costs):	
Contractual services	31,584
Total of all costs	31,584

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

Exhibit 7

Town of Wesson
Combined Statement of Receipts & Disbursements
Water & Sewer Funds
Year Ended September 30, 2003

	Water & Sewer Operating Fund	Water Meter Deposit Fund	Total
Revenue Receipts:			
Metered Sales	200,323		200,323
Sewer Charges	114,222		114,222
Total Revenue Receipts	314,545	0	314,545
Other Receipts:			
Garbage Charges	34,500		34,500
Water Meter Taps	1,500		1,500
Sewer Taps	1,250		1,250
Water Meter Deposits		4,014	4,014
Penalties	2,754		2,754
Interest/Miscellaneous	3,473	84	3,557
Sales Tax Collections	1,237		1,237
Transfer from General			0
Total Other Receipts	44,714	4,098	48,812
Total Receipts	359,259	4,098	363,357
Cash Balance Beginning:			
Unrestricted	33,164	5,174	38,338
Restricted	85,731	23,735	109,466
Total Amount To Account For	478,154	33,007	511,161

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

Exhibit 7 - Continued

Town of Wesson
Combined Statement of Receipts & Disbursements
Water & Sewer Funds
Year Ended September 30, 2003

	Water & Sewer Operating Fund	Water Meter Deposit Fund	Total
Operating Disbursements:			
Personal Services	72,330		72,330
Utilities	42,630		42,630
Repairs	25,608		25,608
Supplies	27,010		27,010
Chemicals	7,810		7,810
Communications	2,720		2,720
Engineering Services	2,800		2,800
Administrative Charges	12,000		12,000
Advertising	256		256
Legal & Audit	0		0
Insurance	5,102		5,102
Postage	1,460		1,460
Gas & Oil	2,432		2,432
Tires & Tire Repair			0
Travel	777		777
Dues	986		986
Lab Testing Fees	2,353		2,353
Training	1,848		1,848
Miscellaneous	4,307		4,307
Water Meter Refunds		2,895	2,895
Total Operating Disbursements	212,429	2,895	215,324
Other Disbursements:			
Garbage Fees-Waste Mgt	31,584		31,584
Debt Service-Principal	59,784		59,784
Debt Service-Interest	8,904		8,904
Sales Tax	1,264		1,264
Capital Outlay			0
Total Other Disbursements	101,536	0	101,536
Total Disbursements	313,965	2,895	316,860
Cash Balance End of Year:			
Unrestricted	68,680	3,317	71,997
Restricted	95,509	26,795	122,304
Total Amount Accounted For	478,154	33,007	511,161

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

Charles R. Hart
Certified Public Accountant
P.O. Box 336
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

I have audited the financial statement of Town of Wesson, Mississippi, as of and for the year ended September 30, 2003, and have issued my report thereon dated January 21, 2004. I conducted my audit in accordance with generally accepted auditing standards 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Wesson, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Town of Wesson, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described as follows:

(1) Absence of appropriate segregation of duties consistent with appropriate control objectives. The cashier function was not segregated from the receipting and accounting functions.

Recommendation:
Management should be aware of the above condition and maintain the necessary level of supervision due to limited number of staff.

Town of Wesson's Response:
The Town is aware of the above condition.

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

(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, I believe none of the reportable conditions described above is a material weakness. I also noted other matters involving the internal control over financial reporting that I have reported to the management of Town of Wesson, Mississippi, orally and in a separate letter dated January 21, 2004.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, 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.

Charles R. Hart
Certified Public Accountant
Wesson, Mississippi
January 21, 2004

Charles R. Hart
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

I have audited the financial statement of the Town of Wesson, Mississippi, for the year ended September 30, 2003, and have issued my report thereon dated January 21, 2004. As part of my audit, I am requested to report the results of the Compliance Questionnaire completed in conjunction with the audit.

In connection with my audit, nothing came to my attention that caused me to believe that the Town is not substantially in compliance with the material aspects of the requirements of the State Department of Audit, set forth in the Compliance Questionnaire.

This report is intended solely for the information and use of the Mayor, Board of Alderman, management, and the State of Mississippi Department of Audit and is not intended to be and should not be used by anyone other than these specified parties.

Charles R. Hart
Certified Public Accountant
Wesson, Mississippi
January 21, 2004

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Management Letter

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

During the course of my audit, I noted and have so reported to you in my report on internal control a lack of separation of duties which I do not repeat here.

The following items came to my attention. I generally found the accounting records to be in satisfactory condition, but I do note the following:

1. Checking accounts and savings accounts were reconciled to the general ledger as of September 30, 2003.

2. I corrected several posting errors where postings were made in error apparently due to a software problem.

3. Cash flow in the water & sewer accounts continues to be at an adequate level for the current year so that the general fund did not subsidize the water & sewer fund in the current year.

4. I recommend the Board evaluate the administrative charge to the general fund for covering Water & Sewer Department overhead. This charge has not been increased in many years and appears to be insufficient to cover costs incurred by the general fund.

Charles R. Hart
Certified Public Accountant
Wesson, Mississippi
January 21, 2004