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TOWN OF BROOKSVILLE
COMPILATION REPORT AND
SPECIAL REPORT ON
AGREED-UPON PROCEDURES
FOR SMALL TOWNS
SEPTEMBER 30, 2006

RECEIVED
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STATE AUDITOR'S OFFICE

TOWN OF BROOKSVILLE
COMPILATION REPORT
SEPTEMBER 30, 2006

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ACCOUNTANTS' COMPILATION REPORT

The Honorable Mayor and Board of Aldermen
Town of Brooksville, Mississippi
Brooksville, Mississippi

We have compiled the accompanying combined statement of cash receipts and disbursements – all funds of the Town of Brooksville for the year ended September 30, 2006, and the accompanying supplemental information, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of a financial statement information that is the representation of management. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or any other form of assurance on it.

Management has not presented the management's discussion and analysis information and budgetary comparison information that the *Government Accounting Standards Board* has determined is required to supplement, although not required to be a part of, the basic financial statements.

Starkville, Mississippi
February 26, 2007

Wattis Ward and Stafford LLC

TOWN OF BROOKSVILLE
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-ALL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>General Fund Type</u>		<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Fund</u>
		<u>Revenue</u>	<u>Type</u>
Revenue Receipts:			
General Property Taxes	\$ 196,815		
Penalties and Interest	778		1,460
Licenses and permits			
Intergovernmental Revenues:			
Federal Revenue:			
Fire and Police Grant	3,792		
Fire Protection	3,500		
State Shared Revenues:			
TVA payments in lieu of tax			
Sales tax	110,338		995
Gasoline tax	3,250		
County Revenues:			
Road and Bridge Tax	15,766		
Charges for Services:			
Sewer Utility			57,444
Water Utility			236,795
Fines and Forfeitures	83,961		12,379
Total Receipts	<u>418,200</u>		<u>309,073</u>
Other Receipts:			
Interest Income			
Fundraisers			
Loans and Transfers			
Miscellaneous	38,348		100,160
	<u>38,348</u>		<u>100,160</u>
Total Receipts	456,548		409,233
Cash Balance - Beginning of Year	<u>19,598</u>	<u>10</u>	<u>68,973</u>
Total Unaccounted For	202,026		
TOTAL AMOUNT TO ACCOUNT FOR \$	<u><u>678,172</u></u>	<u><u>10</u></u>	<u><u>478,206</u></u>

TOWN OF BROOKSVILLE
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-ALL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund Type		Proprietary
	General	Special Revenue	Fund Type
Operating Disbursements:			
General Government	\$ 291,779	6	
Public Safety:			
Police	192,453		
Fire	37,258		
Highways and Streets:			
Repairs and Maintenance	5,651		
Other	99,926		
Sanitation			
Health			
Welfare			
Culture and recreation			
Parks	5,111		
Lottie Smith Center	2,250		
Enterprises:			
Sanitation			64,170
Sewer Utility			
Water Utility			147,629
Interest on bonds	1,076		3,093
Total Operating Disbursements	<u>635,503</u>	<u>6</u>	<u>214,892</u>
Other Disbursements:			
Bonds Retired			
Capital Outlay			
Loan and transfers	27,904		
Total Other Disbursements	<u>27,904</u>		
Total Disbursements	663,407	6	214,892
Total Unaccounted For			194,427
Cash Balance - End of Year	<u>14,765</u>	<u>4</u>	<u>68,887</u>
TOTAL AMOUNT ACCOUNTED FOR	<u>\$ 678,172</u>	<u>10</u>	<u>478,206</u>

See accompanying notes and accountants' compilation report

**TOWN OF BROOKSVILLE
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2006**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The Citizens of Brooksville have elected to operate under a Code Charter as permitted by Mississippi Statutes 21-3-3, which prescribes a Mayor and Board of Aldermen form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic-but not only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no includable or excludable potential component units.

Fund Accounting

The accounts of the Town are organized on the basis of funds, 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. 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. The various funds are grouped, in financial statements in this report, into three generic fund types and two broad fund categories as follows:

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.

TOWN OF BROOKSVILLE
NOTES TO FINANCIAL STATEMENT (CONTINUED)
SEPTEMBER 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Special Revenue Fund – The Special Revenue Fund accounts for the proceeds of specific revenue sources, other than major capital projects or expendable trust funds that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is the CDBG Fund.

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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use 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. The Proprietary Fund is the Water and Sewer Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Town uses the cash receipts and disbursements basis of accounting as prescribed by the Mississippi State Department of Audit. Revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when the liability is incurred.

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, the 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.

NOTE B – REPORT CLASSIFICATIONS

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

**TOWN OF BROOKSVILLE
SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2006**

OWNERSHIP	TYPE OF INVESTMENT	INTEREST RATE	ACQUISITION DATE	MATURITY DATE	OTHER INFORMATION	INVESTMENT COST/VALUE
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Information not available

See Accountant's Report

TOWN OF BROOKSVILLE
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006

NAME	POSITION	INSURANCE COMPANY	BOND AMOUNT	BOND NUMBER	TIME PERIOD
Tammie Holmes	Mayor	Western Surety Company	50,000.00	14718955	06/20/06-06/20/07
Monica Chandler	Receiving Clerk	Western Surety Company	50,000.00	14769306	11/14/05-11/14/06
Gregory Smart	City Clerk	Western Surety Company	50,000.00	14729024	07/06/06-07/06/07
Brenda Sennett	Deputy Clerk	Western Surety Company	50,000.00	14723498	07/07/05-07/07/06
Bobby Webber	Chief of Police	Not Bonded			
Eric Dooley	Alderman	Not Bonded			
Freda Phillips	Alderwoman	Not Bonded			
Coretta Stockett	Alderwoman	Not Bonded			
T.J Wilkins	Alderman	Not Bonded			

See Accountants' Report

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Stephen D. Flake, CPA
John N. Russell, CPA**SPECIAL REPORT ON AGREED-UPON
PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)**The Honorable Mayor and Board of Aldermen
Town of Brooksville, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Brooksville, Mississippi, as of September 30, 2006 and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood that this report is solely for the use of the governing body of the Town of Brooksville, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

Bank	Fund	Balance per General Ledger
Cadence	General Fund	\$ 100.13
Cadence	Special Revenue Fund	3.92
Cadence	Water and Sewer	17,791.59
Cadence	Water and Sewer	16,333.85
Cadence	Water and Sewer	10,541.41
Cadence	Water and Sewer	3,541.66
		<u>48,312.56</u>

The following accounts did not reconcile to the general ledger accounts:

Bank	Fund	Balance per General Ledger	Balance per Bank
Cadence	General Fund	20,205.71	1,808.96
Cadence	General Fund	4,999.80	12,857.34
Cadence	General Fund	3,897.55	Missing Bank Stmt
Cadence	Water and Sewer	7,684.72	20,679.16
Cadence	Payroll Clearing	36,777.49	12,082.64

2. We physically examined securities held for investment. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972). No Certificates of Deposits were recorded in the General Ledger during the year.

3. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception.

Payments traced were as follows:

<u>General Purpose</u>	<u>Receiving Fund</u>	<u>Ledger Amount</u>
General Municipal Aid	General	\$ 616
TVA Payments in Lieu of Taxes	General	6,478
Sales Tax Allocation Cty	General	108,125
Gasoline Tax	General	3,250
Homestead Exemption	General	21,923
Fire Protection Allocation	General	6,011
Liquor Privilege Tax	General	1,800
Other Aid Municipalities	General	3,792
Total		<u>151,995</u>

4. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of Sample Items	40
Total Dollar Value of Sample	\$33,325.92

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

5. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated the following instances of noncompliance with state requirements.
 - The municipality has not complied with legal publication requirements when budgetary changes of 10% or more are made to a department's budget.
 - Monthly reports of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item have not been presented to the board due to problems with software integration of data with previous administration.
 - Not all ad valorem tax collections have been deposited into the appropriate funds.
 - Transient vendor taxes have not been collected from all transient vendors.
 - The municipality has not levied or appropriated minimum ¼ mill for fire protection.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, we believe the items specified in Paragraphs 1, 2, 3, 4 and 5 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not

be associated with the financial statements of the Town of Brooksville, Mississippi, for the year ended September 30, 2006.

Starkville, Mississippi
February 26, 2007

Watkins Ward and Stafford LLC