



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF NEW AUGUSTA, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

TOWN OF NEW AUGUSTA, MISSISSIPPI

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	3
Combined Statement of Cash Receipts and Disbursements -	5
Notes to Financial Statements	7
Required Supplemental Information	
Budgetary Comparison Schedule.....	15
Other Supplemental Information	
Schedule of Capital Assets	19
Schedule of Long-Term Debt.	20
Schedule of Surety Bonds of Municipal Officials.	21
Schedule of Bond Reserves	22
Independent Auditor's Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23
Report on Compliance with State Laws and Regulations	26
Schedule of Findings & Questioned Costs.....	29

American Institute of
Certified Public
Accountants

King CPA, PLLC

206 Hwy 42 P.O. Box 1182
Petal, MS 39465
Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of New Augusta
New Augusta, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the Town of New Augusta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of New Augusta, Mississippi's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the Town of New Augusta, Mississippi, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Mississippi, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Town of New Augusta, Mississippi, as of September 30, 2010, and the revenues it received and expenditures it paid for the year ended, on the basis of accounting described in Note 1.

Independent Auditors' Report
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2011, on our consideration of the Town of New Augusta, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Augusta, Mississippi's financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

King CPA, PLLC

KING CPA, PLLC
August 3, 2011

TOWN OF NEW AUGUSTA
Statement of Cash Receipts and Disbursements
Governmental and Business-type Activities
For the Year Ended September 30, 2010

Functions/Programs	Program Receipts				Net Cash Excess (Deficit)		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 160,467	\$ 1,014	\$ 10,304	\$ -	\$ (149,149)		\$ (149,149)
Court	35,581	17,495	-	-	(18,086)		(18,086)
Public safety-police	109,980	-	-	-	(109,980)		(109,980)
Public safety-fire	89,171	-	6,894	-	(82,277)		(82,277)
Public works-street	44,868	-	-	-	(44,868)		(44,868)
Culture & recreation-library	10,126	-	-	-	(10,126)		(10,126)
Culture & recreation-park	8,365	-	2,000	-	(6,365)		(6,365)
Redemption of principal	19,845	-	-	-	(19,845)		(19,845)
Interest/charges on long-term debt	4,207	-	-	-	(4,207)		(4,207)
Total governmental activities	482,610	18,509	19,198	-	(444,903)		(444,903)
Business-type activities							
Water & Sewer	164,364	183,643	-	-		19,279	19,279
Total business-type activities	164,364	183,643	-	-		19,279	19,279
Total	\$ 646,974	\$ 202,152	\$ 19,198	\$ -	(444,903)	19,279	(425,624)
General receipts							
Property taxes					103,490	-	103,490
Sales taxes					188,762	-	188,762
Franchise taxes					36,048	-	36,048
Other receipts not restricted to specific programs					11,687	-	11,687
Unrestricted investment earnings					7,360	1,070	8,430
Loan Proceeds					30,000		30,000
Special Item -recovery of misappropriated funds					8,410	-	8,410
Total general receipts, transfers and special items					385,757	1,070	356,827
Change in cash					(59,146)	20,349	(68,797)
Cash - beginning					516,708	70,782	587,490
Cash - ending					\$ 457,562	\$ 91,131	\$ 518,693

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Statement of Cash Receipts and Disbursements
Governmental and Proprietary Funds
For the Year Ended September 30, 2010

	Governmental Funds <u>General Fund</u>	Proprietary Funds <u>Water & Sewer Fund</u>
RECEIPTS:		
General Property Taxes, Penalties & Interest	\$ 103,490	\$ -
Franchise Taxes, Licenses and Permits	37,062	
State Shared Revenue:		
Sales Tax	188,762	
Other State Revenue	13,257	
County Shared Revenue:		
Other County Revenue	5,941	
Charges for Services: Water Utility		183,643
Fines and Forfeits:	17,495	
Interest on Investments	7,360	1,070
Loan Proceeds	30,000	
Other Local Receipts	11,687	-
Total Receipts	<u>415,054</u>	<u>184,713</u>
DISBURSEMENTS:		
General Government	152,094	
Court	35,581	
Police	109,980	
Fire	89,171	
Public Works - Street	44,868	
Library	10,126	
Park	8,365	
Enterprises:		
Water Utility Operations		133,558
Water Utility Capital Outlay		16,336
Redemption of Principal	19,845	9,432
Debt Service Interest	4,207	3,396
Total Operating Disbursements	<u>474,237</u>	<u>162,722</u>
Excess (Deficiency) of receipts over disbursements	<u>(59,183)</u>	<u>21,991</u>
OTHER FINANCING SOURCES (USES)		
Recovery of misappropriated funds	8,410	-
Interfund payables	(8,373)	(1,642)
Total Other Financing Sources (Uses)	<u>37</u>	<u>(1,642)</u>
Net Excess (Deficiency)	<u>(59,146)</u>	<u>20,349</u>
CASH BASIS FUND BALANCE-BEGINNING	<u>516,708</u>	<u>70,782</u>
CASH BASIS FUND BALANCE-ENDING	<u>\$ 457,562</u>	<u>\$ 91,131</u>

See accompanying notes and independent auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Summary of Significant Accounting Policies

The Town of New Augusta operates under a Mayor-Alderman form of government and provides the following services:

- General Government
- Court
- Public Safety – Police
- Public Safety – Fire
- Public Works - Street
- Parks and Library
- Water and Sewer Utility

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the town's board of aldermen. In evaluating how to define the Town for financial reporting purpose, 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 GAAP. The basic-but not the only-criteria 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 the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Town's reporting entity.

Excluded from the reporting entity:

- Town of New Augusta Volunteer Fire Department

The Town has no authority or control over the Volunteer Fire Department's budget or operations.

B. Financial Reporting.

The Combined Statement of Cash Receipts and Disbursements – All Funds is prepared on the cash receipts and disbursements basis of accounting as prescribed by the Office of State Auditor. Consequently, revenues are recognized when received and expenditures are recognized when legally charged to the current budget (cash basis plus thirty days)

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

C. Account Classifications.

The account classifications used in the financial statements are in accordance with the classifications required by the Mississippi State Department of Audit.

D. Fund Accounting.

The accounts of the Town of New Augusta 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. Town resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another 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 and expenses of providing goods and 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.

E. Budgets.

The budget is prepared on the cash basis as legally required by statute. The budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the Board of Aldermen. By statute, final budget and tax levy must be adopted on or before September 15 for the following fiscal year.

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For reporting purposes, certificates of deposit with an original maturity date of more than three months are considered investments.

G. Property Tax Revenue

Property taxes are assessed by the Town on a calendar year basis. Property taxes are considered delinquent February 1 and a tax sale is held in August for unpaid taxes. Property Tax revenue is recognized when collected, due to the uncertainty of collecting property taxes after September 30. For fiscal year ended September 30, 2010, the Town issued one tax levy for the general fund at rate of 32.5 mils.

H. Compensated Absences

The Town of New Augusta's personnel policy provides employees accrue vacation and sick leave based on years of service calculated as of the anniversary date of hire. Vacation leave accrues as follows with a maximum accumulation of 160 hours.

1 year of service – 40 hours of annual vacation leave.

2 to 9 years of service – 80 hours of annual vacation leave.

10 years or more of service – 120 hours of annual vacation leave.

Sick leave accrues at 64 hours per year with a maximum accumulation of 480 hours.

Upon termination employees are paid for accumulated leave at their regular rate of pay.

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

(2) Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established 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 carrying amount of the town's deposits with financial institutions was \$589,321, and the bank balance was \$605,447.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the town. As of September 30, 2010, \$249,492 of the district's bank balance of \$588,991 was exposed to custodial risk.

(3) Bonds Payable

Presented below is Section 21-33-303 Mississippi Code:

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes are levied for its fiscal year

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53, or to any indebtedness incurred under Section 55-23-8.

The following is a schedule of limitations on the indebtedness of the Town at September 30, 2010

<u>Authorized Debt Limit</u>	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation of fiscal year ended September 30, 2010	\$ 549,368	\$ 732,491
	\$3,662,454	
Present debt subject to 15% limitation	(93,117)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	-	(93,117)
Margin for further debt under respective debt limits	<u>\$ 456,251</u>	<u>\$ 639,374</u>

(4) Defined Benefit Pension Plan

Plan Description: The Town of New Augusta, 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201 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 the Town of New Augusta is required to contribute at an actuarial 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. The

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Town's contributions to PERS for the years ending September 30, 2010, 2009, and 2008, were \$27,491, \$23,622 and \$19,216, respectively, which equaled the required contributions for each year.

(5) Risk Management

The Town of New Augusta is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two separate risk pools to provide coverage for possible losses due to these risks. These pools are described below:

A. Mississippi Municipal Workers' Compensation Group

This pool was formed under the Mississippi Workers' Compensation Act to provide coverage for claims arising from injuries to employees. The Town is jointly and severally liable for obligations of the group.

B. Mississippi Municipal Liability Plan

This pool was formed under inter-local agreements for the purpose of providing the liability coverage prescribed by the Plan for the member municipalities. The pool uses a "service company" to manage the plan's day to day activities.

The Town of New Augusta pays premiums based upon an actuarial assessment of the Town's loss experience rate and the plans overall financial condition. The Town may be assessed if, at any time, the assets of the plan, in the opinion of the Board of Trustees, are insufficient to discharge its obligations.

(6) Commitments, Contingencies and Litigation

A. Employee Garnishment Receivable

On February 9, 2001 the Chancery Court of Lamar County awarded the Town of New Augusta a judgment against a former employee in the amount of \$7,561.21. The judgment is the result of the Town having been levied for failing to respond to a legal garnishment. As of September 30, 2010, the Town has not received any payments toward this judgment.

B. Compensated Absences

As of September 30, 2010 the Town of New Augusta's liability for compensated absences is approximately \$12,726.00 based on 859 accumulated hours.

TOWN OF NEW AUGUSTA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

C. Equipment Buy-Back Provision

On February 25, 2008 the Town of New Augusta financed a Caterpillar 416E Backhoe Loader with Bancorp South Bank. The note is schedule to mature on March 25, 2012 at which time a balloon payment of \$23,500 will be due. The Town of New Augusta has the option of retaining the backhoe and making the payment or exercising the buy-back option with Caterpillar for the balance.

D. Recovery of Misappropriation of Funds

On October 26, 2010 the Town of New Augusta recovered \$50,000 through the State Auditor's Office for misappropriation of funds by the former city clerk.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NEW AUGUSTA
Budgetary Comparison Schedule
For the Year Ended September 30, 2010

General Fund

SCHEDULE 1A

Variances

Positive (Negative)

	Budgeted Amounts		Actual	Original	Final
	Original	Final	(Budgetary Basis)	to Final	to Actual
RECEIPTS					
Property taxes	\$ 120,000	\$ 120,000	\$ 103,490	\$ -	\$ (16,510)
License and permits	31,000	31,000	37,062	-	6,062
Intergovernmental revenues	210,000	210,000	207,960	-	(2,040)
Fines and forfeitures	15,000	15,000	17,495	-	2,495
Miscellaneous	3,000	3,000	19,047	-	16,047
TOTAL RECEIPTS	<u>379,000</u>	<u>379,000</u>	<u>385,054</u>	<u>-</u>	<u>6,054</u>
EXPENDITURES					
General government	111,675	111,675	152,094	-	(40,419)
Court	33,930	33,930	35,581	-	(1,651)
Public safety-police	101,710	101,710	109,980	-	(8,270)
Public safety-fire	66,800	66,800	89,171	-	(22,371)
Public works-street	55,990	55,990	44,868	-	11,122
Parks	12,200	12,200	8,365	-	3,835
Library	3,300	3,300	10,126	-	(6,826)
TOTAL EXPENDITURES	<u>385,605</u>	<u>385,605</u>	<u>450,185</u>	<u>-</u>	<u>(64,580)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(6,605)	(6,605)	(65,131)	-	(58,526)
Other Financing Sources (Uses)	<u>6,000</u>	<u>6,000</u>	<u>5,985</u>	<u>-</u>	<u>11,985</u>
NET CHANGE IN CASH BALANCE	<u>\$ (605)</u>	<u>\$ (605)</u>	<u>(59,146)</u>	<u>\$ -</u>	<u>\$ (46,541)</u>
CASH BALANCE-BEGINNING			<u>516,708</u>		
CASH BALANCE-ENDING			<u>\$ 457,562</u>		

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Budgetary Comparison Schedule
For the Year Ended September 30, 2010

Water and Sewer Fund

SCHEDULE 1B

Variances

Positive (Negative)

	Budgeted Amounts	Actual	Positive (Negative)	Positive (Negative)
	Original	Final	(Budgetary Basis)	Original to Final

RECEIPTS

Charges for services	\$ 181,000	\$ 181,000	\$ 183,643	\$ -
Miscellaneous	6,000	6,000	1,070	-
TOTAL RECEIPTS	<u>187,000</u>	<u>187,000</u>	<u>184,713</u>	<u>-</u>

EXPENDITURES

Water and Sewer Utility				
Operations	142,240	142,240	133,558	-
Capital outlay	29,000	29,000	16,336	-
Debt service	12,900	12,900	12,828	-
TOTAL EXPENDITURES	<u>184,140</u>	<u>184,140</u>	<u>162,722</u>	<u>-</u>

**EXCESS (DEFICIENCY) OF RECEIPTS
OVER DISBURSEMENTS**

	2,860	2,860	21,991	-
--	-------	-------	--------	---

Other Financing Sources (Uses)

	-	-	(1,642)	-
--	---	---	---------	---

NET CHANGE IN CASH BALANCE

	\$ 2,860	\$ 2,860	20,349	\$ -
--	----------	----------	--------	------

CASH BALANCE-BEGINNING

70,782

CASH BALANCE-ENDING

\$ 91,131

See accompanying notes and independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NEW AUGUSTA
Schedule of Capital Assets
For the Year Ended September 30, 2010

<u>Governmental Activities</u>	<u>Balance 10/1/2009</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2010</u>
Capital assets:					
Land	\$ -	-	18,000	-	18,000
Buildings	174,568	-	-	-	174,568
Automobiles	193,373	-	67,442	-	260,815
Equipment	88,727	-	-	-	88,727
Total Governmental Activities capital assets	\$ 456,668	\$ -	\$ 85,442	\$ -	\$ 542,110
<u>Business-type Activities</u>					
Capital assets:					
Water and Sewer System	\$ 651,528	\$ -	\$ -	\$ -	\$ 651,528
Automobiles	15,227	-	-	-	15,227
Equipment	30,000	-	-	-	30,000
Total Business-type activities capital assets	\$ 696,755	\$ -	\$ -	\$ -	\$ 696,755

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Schedule of Long-Term Debt
For the Year Ended September 30, 2010

	<u>BALANCE</u> <u>October 1, 2009</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>BALANCE</u> <u>September 30, 2010</u>	<u>INTEREST</u> <u>PAID</u>
USDA, Rural Development					
NO. 91-02 - W&S SYSTEM REVENUE BOND, \$145,000, 5%, 35 YRS, ISSUED - MAY 12, 1981, MATURES - MAY 12, 2016 ANNUAL PMTS - \$9072.00 (756 MO.)	\$ 36,996.29	\$ -	\$ 7,483.12	\$ 29,513.17	\$ 1,588.88
NO. 93-03 - COMBINED W&S SYSTEM REVENUE BOND, \$52,600, 6.125%, 35 YRS, ISSUED - JANUARY 12, 1989 MATURES - JANUARY 12, 2024 ANNUAL PMTS - \$3756.00 (313 MO.)	\$ 30,852.14	\$ -	\$ 1,949.35	\$ 28,902.79	\$ 1,806.65
STATE OF MISSISSIPPI					
FIRE DEPARTMENT CAPITAL IMPROVEMENT \$100,000, 180 MONTHS, 3.7% , BEG 11/1/97 MONTHLY PAYMENT \$724.74	\$ 24,667.03	\$ -	\$ 7,868.59	\$ 16,798.44	\$ 1,553.03
BANCORPSOUTH BANK					
LEASE PURCHASE \$48,188, 48 MONTHS, 3.99%, BEG 2/25/08 MONTHLY PAYMENT \$636.96	\$ 38,853.84	\$ -	\$ 6,205.91	\$ 32,647.93	\$ 1,437.61
TRUSTMARK NATIONAL BANK					
LEASE PURCHASE \$30,000, 2011 Ford F550 Fire Truck 30 months, 3.25%, \$1078.21 beg 9/10	\$ -	\$ 30,000.00	\$ 964.46	\$ 29,035.54	\$ 113.75
LEASE PURCHASE \$24,773. 2008 Ford Crown Victoria Police Car 60 months, 3.74%, \$454.51 beg 8/08	\$ 19,441.58	\$ -	\$ 4,806.44	\$ 14,635.14	\$ 1,102.19
	<u>\$ 150,811</u>	<u>\$ 30,000</u>	<u>\$ 29,278</u>	<u>\$ 151,533</u>	<u>\$ 7,602</u>

See accompanying notes and independent auditors' report.

TOWN OF NEW AUGUSTA
Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2010

Presented below is Section 21-17-5 of Mississippi Code.

Unless otherwise provided by law, before entering upon the duties of their respective offices, the aldermen of every municipality of this state shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to five percent (5%) of the sum of all municipal taxes shown by the assessment rolls and the levies to have been collectible in the municipality for the year immediately preceding the commencement of the term of office of said aldermen; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$100,000).

<u>NAME</u>	<u>POSITION</u>	<u>BOND AMOUNT</u>	<u>COMPANY</u>
James Benefield	Alderman	\$ 10,000	Old Republic Surety Company
Roger Jones	Alderman	\$ 10,000	Old Republic Surety Company
David Gallaspy	Alderman	\$ 10,000	Old Republic Surety Company
Pam Brewer	Alderman	\$ 10,000	Old Republic Surety Company
Steve Spicer	Alderman	\$ 10,000	Old Republic Surety Company
Sherry McClendon	City Clerk	\$ 50,000	Old Republic Surety Company
Jessica Herring	Municipal Court Clerk	\$ 50,000	Old Republic Surety Company
	Deputy City Clerk	\$ 50,000	Old Republic Surety Company
Louis Fairley	Police Chief	\$ 50,000	Old Republic Surety Company

See accompanying notes and independent auditors' report

TOWN OF NEW AUGUSTA
Schedule of Bond Reserves
For the Year Ended September 30, 2010

	Balance October 1, 2009	DEPOSITS	INTEREST EARNED	W/DRAWALS	Balance September 30, 2010	TOTAL REQUIREMENT PER BOND RESOLUTION
LOAN ISSUE 9303						
Trustmark Acct # 5026021596						
DEPRECIATION (\$8MO)	\$ 1,050	\$ -	\$ 48	\$ -	\$ 1,098	\$ 1,000
CONTINGENT (\$8MO)	\$ 1,045	\$ -	\$ -	\$ -	\$ 1,045	\$ 1,000
BOND CUSHION (\$15MO)	\$ 1,800	\$ -	\$ -	\$ -	\$ 1,800	\$ 1,800
	<u>\$ 3,895</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 3,943</u>	<u>\$ 3,800</u>
LOAN ISSUE 9102						
Trustmark Acct # 5026021588						
DEPRECIATION (\$20 MO)	\$ 2,715	\$ -	\$ 123	\$ -	\$ 2,838	\$ 2,000
CONTINGENT (\$20 MO)	\$ 2,472	\$ -	\$ -	\$ -	\$ 2,472	\$ 2,000
BOND CUSHION (\$40 MO)	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
	<u>\$ 10,187</u>	<u>\$ -</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 10,310</u>	<u>\$ 9,000</u>
	<u>\$ 14,082</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 14,253</u>	<u>\$ 12,800</u>

See accompanying notes and independent auditors' report.

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

American Institute of
Certified Public Accountants

King CPA, PLLC

Mississippi Society of
Certified Public Accountants

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

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

Mayor and Board of Aldermen
Town of New Augusta, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the Town of New Augusta's basic financial statements and have issued our report thereon dated August 3, 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 New Augusta, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 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 deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2010-01)

Compliance and Internal Control Report
Page Two
August 3, 2011

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (2010-02 and 2010-03)

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the Town of New Augusta, Mississippi, in a separate letter dated August 3, 2011.

This report is intended for the information of the board of aldermen, management, federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

King CPA, PLLC

KING CPA, PLLC
August 3, 2011

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

American Institute of
Certified Public Accountants

King CPA, PLLC

Mississippi Society of
Certified Public Accountants

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

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

Honorable Mayor and Board of Aldermen
Town of New Augusta
New Augusta, Mississippi

We have audited the financial statements of the Town of New Augusta, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated August 3, 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the combined statement of cash receipts and disbursements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1 Surety Bonds

Section 21-3-5 requires that anyone handling money for the municipality be bonded. The mayor assists in the deposit process and therefore should be bonded.

Recommendation

We recommend that the Town of New Augusta comply with Section 21-3-5.

Town of New Augusta's Response

The Town of New Augusta has obtained sufficient bonding as of the date of this letter.

Finding 2 Fixed Assets

Section II of the Municipal Audit and Accounting Guide provides prescribed procedures for accounting for fixed assets. The Town's fixed asset records do not include the property control number, date acquired or cost of the assets.

Recommendation

We recommend that Town of New Augusta account for their fixed assets as it is prescribed in the Municipal Audit and Accounting Guide.

Town of New Augusta's Response

The Town of New Augusta is currently working on getting their fixed assets subsidiary ledger in order to account for fixed assets.

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.

King CPA, PLLC

KING CPA, PLLC
August 3, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**TOWN OF NEW AUGUSTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Section 1: Financial Statement Findings

Finding 2010-1: Lack of Segregation of Duties and Review Procedures

Due to the size of the Town, lack of segregation of duties constitutes a material weakness in internal control. The Town is very small which limits the extent of segregation of duties of all employees.

Finding 2010-2 Bank Reconciliations

In performing our cash procedures, we noted that all bank accounts were not reconciled properly and/or in a timely manner. Inadequate internal controls for bank reconciliations at year-end could result in inaccurate presentation of the financial statements.

Find 2010-3 Inter-fund Activity

In performing our audit procedures of inter-fund transactions we noted that the Town of New Augusta is not settling on a monthly basis inter-fund transactions including health insurance and fire donations. We also noted that the inter-fund liabilities are not being reconciled to insure that proper amounts are transferred in a timely manner.