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TOWN OF WALNUT GROVE, MISSISSIPPI

AUDIT REPORT

September 30, 2011

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TOWN OF WALNUT GROVE, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, for the year ended September 30, 2011. The combined statement of cash receipts and disbursements is the responsibility of the Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on the combined statement of cash receipts and disbursements based on our audit.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the combined statement of cash receipts and disbursements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Town of Walnut Grove, Mississippi, as of September 30, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the Town of Walnut Grove, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statement.

In our opinion, the combined statement of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of each fund of Town of Walnut Grove, Mississippi for the year ended September 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, on our consideration of the Town of Walnut Grove, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Butchart, Flzey & Associates

Canton, Mississippi
July 19, 2012

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2011

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
<u>Revenue Receipts:</u>				
General Property Taxes	\$ 35,847	\$ -	\$ 35,847	\$ 37,778
Licenses and Permits	1,921		1,921	1,268
In Lieu of Taxes and Impact Fees	192,207		192,207	180,571
Public Utility Franchise	18,773		18,773	18,747
<u>Intergovernmental Revenues:</u>				
Hurricane Katrina CDBG	4,135		4,135	123,468
Emergency Repair Grant		95,214	95,214	-
Library Grant	63,061		63,061	-
<u>State Shared Revenues:</u>				
General Municipal Aid	253		253	253
Sales Tax	85,604		85,604	151,583
Gasoline Tax	3,044		3,044	1,342
Public Safety	3,039		3,039	-
Fire Insurance Premium Tax Distribution	9,805		9,805	2,658
Homestead Exemption	2,613		2,613	2,855
Emergency Management	16,802		16,802	-
TVA in Lieu of Taxes	10,608		10,608	9,232
<u>County Revenue:</u>				
Auto and regular Advalorem	30,715		30,715	24,921
Fire Protection	10,108		10,108	10,074
<u>Charges for Services:</u>				
Gas Utility		931,782	931,782	1,036,911
Water and Sewer Utility		253,244	253,244	279,611
Garbage Fees	25,522		25,522	22,723
Police Fines	70,039		70,039	11,158
Rental Income	43,400		43,400	42,500
Interest Income	570	1,220	1,790	1,490
Recreational Funds	18,000		18,000	6,000
Other Income	44,369	5,214	49,583	2,756
	<u>690,435</u>	<u>1,286,674</u>	<u>1,977,109</u>	<u>1,967,899</u>
Total Receipts	\$ 690,435	\$ 1,286,674	\$ 1,977,109	\$ 1,967,899
<u>Other Receipts:</u>				
Capital Lease Obligations	\$ 25,043	\$ -	\$ 25,043	\$ -
Loan Proceeds	-	17,687	17,687	-
Transfers	188,614	-	188,614	56,657
	<u>213,657</u>	<u>17,687</u>	<u>231,344</u>	<u>56,657</u>
Total Other Receipts	\$ 213,657	\$ 17,687	\$ 231,344	\$ 56,657
Total Receipts	\$ 904,092	\$ 1,304,361	\$ 2,208,453	\$ 2,024,556
Cash Balance - Beginning of Year	<u>314,737</u>	<u>491,217</u>	<u>805,954</u>	<u>531,519</u>
TOTAL AMOUNT TO ACCOUNT FOR	\$ 1,218,829	\$ 1,795,578	\$ 3,014,407	\$ 2,556,075

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

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2011

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
<u>Operating Disbursements:</u>				
General Government (Executive and Financial)				
Personnel	\$ 45,009	\$ -	\$ 45,009	\$ 64,588
Other	54,588		54,588	94,645
Public Safety:				
Police				
Personnel	197,504		197,504	187,527
Court fees, jail costs, supplies	62,851		62,851	19,567
Fire	12,539		12,539	4,501
Highways and Streets:				
Lights and Maintenance	162,148		162,148	17,392
Sanitation - Garbage Collection	15,269		15,269	7,742
Culture and Recreation:				
Ball fields	-		-	20,460
Libraries	64,953		64,953	48,171
Enterprises:				
Water and Sewer Utility:				
Personnel		37,424	37,424	36,184
Maintenance and Power		206,214	206,214	133,872
Other		12,818	12,818	15,324
Gas Utility:				
Personnel		263,377	263,377	240,721
Gas Purchases		335,668	335,668	417,403
Maintenance and Power		88,884	88,884	55,943
Other		86,909	86,909	57,588
Interest on Loans	1,359	9,665	11,024	7,090
COPS Grant Repayment	1,670	-	1,670	5,294
	<u>617,890</u>	<u>1,040,959</u>	<u>1,658,849</u>	<u>1,434,012</u>
Total Operating Disbursements				
<u>Other Disbursements:</u>				
Bank Loans/ Capital Leases Paid	\$ 13,027	\$ 58,912	\$ 71,939	\$ 72,933
Capital Outlay	170,534	25,275	195,809	186,519
Loans and Transfers	-	188,614	188,614	56,657
	<u>183,561</u>	<u>272,801</u>	<u>456,362</u>	<u>316,109</u>
Total Other Disbursements				
	<u>\$ 801,451</u>	<u>\$ 1,313,760</u>	<u>\$ 2,115,211</u>	<u>\$ 1,750,121</u>
Total Disbursements				
	<u>417,378</u>	<u>481,818</u>	<u>899,196</u>	<u>805,954</u>
Cash Balance - End of Year				
	<u>\$ 1,218,829</u>	<u>\$ 1,795,578</u>	<u>\$ 3,014,407</u>	<u>\$ 2,556,075</u>
TOTAL AMOUNT ACCOUNTED FOR				

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUNDS

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

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

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

ENCUMBRANCES

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

COMPENSATED ABSENCES

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT AND EQUIPMENT

GENERAL FIXED ASSETS ACCOUNT GROUP

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

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

REPORT CLASSIFICATIONS

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

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable on January 1. The Town’s property taxes are collected and remitted to the Town by the Leake County Tax Collector. Town property tax revenues are recognized when received.

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2011 was 1.325 per \$100.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the Town's deposits was \$899,196, and the bank balance was \$902,099. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Town's investments consist solely of certificates of deposit-Category 1 type investments.

NOTE 3 – LEASE REVENUE

The Town leases buildings under short-term operating leases.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and Town of Walnut Grove is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. Town of Walnut Grove's contributions to PERS for the years ended September 30, 2011, 2010 and 2009 were \$45,567, \$43,462, and \$37,523 respectively, equal to the required contributions for each year. In addition, in the year ended September 30, 2010, there was an additional amount of \$20,441 paid for prior years' contributions for town officials that should have been covered but were not.

TOWN OF WALNUT GROVE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT

The following is a summary of notes payable transactions of the Town for the year ended September 30, 2011.

WATER AND SEWER FUND

Balance of notes payable at October 1, 2010	\$221,591
Principal payments made during the year:	
Trustmark	(16,220)
Mississippi Department of Economic & Community Development	<u>(32,708)</u>
Balance of Notes Payable at 9/30/11	<u>\$172,663</u>

Long-term debt at September 30, 2011 consisted of the following:

3 % note payable to Mississippi Department of Economic and Community Development, due in 180 monthly installments of \$3453, beginning February 1, 2000.	\$172,663
Less current portion	<u>36,894</u>
Long-term Debt	<u>\$135,769</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 36,894	\$ 4,541	\$ 41,435
2013	38,016	3,419	41,435
2014	39,172	2,263	41,435
2015	40,364	1,071	41,435
2016	<u>18,217</u>	<u>86</u>	<u>18,303</u>
	<u>\$172,663</u>	<u>\$ 11,380</u>	<u>\$184,043</u>

GAS FUND

Balance of notes payable at October 1, 2010	\$ -0-
Loan proceeds during year	17,687
Principal payments made during the year: Bank of Walnut Grove	(<u>3,317</u>)
Balance of Notes Payable at 9/30/11	<u>\$ 14,370</u>

Long-term debt at September 30, 2011 consisted of the following:

3.00% note payable to Bank of Walnut Grove, due in 36 monthly installments of \$514.00 beginning April 2011.	\$ 14,370
Less current portion	<u>5,821</u>
Long-term Debt	<u>\$ 8,549</u>

These notes are expected to be repaid from gas revenues.

TOWN OF WALNUT GROVE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,821	\$ 349	\$ 6,170
2013	5,997	173	6,170
2014	<u>2,552</u>	<u>19</u>	<u>2,571</u>
	<u>\$ 14,370</u>	<u>\$ 541</u>	<u>\$ 14,911</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Balance of outstanding debt at October 1, 2010	\$ 37,145
Capital lease obligation incurred during year	25,043
Principal payments made during year	(<u>21,364</u>)
Balance of outstanding debt at September 30, 2011	<u>\$ 40,824</u>

Long-term debt at September 30, 2011 consisted of the following:

3.4% Capital lease on two patrol cars and one service truck, due in 36 monthly payments of \$1,665.62 through August 2012.	\$ 16,452
3.0% Capital lease on 2011 Ford truck, due in 36 monthly Payments of \$728.18, through September 2014.	<u>24,372</u>
	\$ 40,824
Less current portion	<u>24,568</u>
Long-term Debt	<u>\$ 16,256</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,568	\$ 826	\$ 25,394
2013	8,365	373	8,738
2014	<u>7,891</u>	<u>119</u>	<u>8,010</u>
	<u>\$ 40,824</u>	<u>\$ 1,318</u>	<u>\$ 42,142</u>

NOTE 6 – COMMUNITY DEVELOPMENT BLOCK GRANT

The Town of Walnut Grove has been approved for a Hurricane Katrina Supplemental Community Development Block Grant to be used in making improvements to its lagoon system. The total amount of the grant consists of \$916,680 of federal funds. During the year ended September 30, 2011 the Town received and expended the final \$4,135 of the grant funds. During the year ended September 30, 2010 the Town received and expended \$123,468 of the grant funds.

NOTE 7- CONTINGENT LIABILITIES

GRANT AUDIT

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

RISK MANAGEMENT

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

SUPPLEMENTAL INFORMATION

GROVE, MISSISSIPPI

TERM DEBT - ALL FUNDS

2011

<u>FINAL MATURITY DATE</u>	<u>BALANCE OUTSTANDING 10/1/2010</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE OUTSTANDING 9/30/2011</u>
10/7/2010	\$ 16,220	\$ -	\$ 16,220	\$ -
1/1/2016	\$ 205,371	\$ -	\$ 32,708	\$ 172,663
	\$ 221,591	\$ -	\$ 48,928	\$ 172,663
3/10/2014	\$ -	\$ 17,687	\$ 3,317	\$ 14,370
3/1/2011	\$ 1,670	\$ -	\$ 1,670	\$ -
8/10/2012	\$ 35,475	\$ -	\$ 19,023	\$ 16,452
9/10/2014	\$ -	\$ 25,043	\$ 671	\$ 24,372
	\$ 37,145	\$ 25,043	\$ 21,364	\$ 40,824
	\$ 258,736	\$ 42,730	\$ 73,609	\$ 227,857

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF INVESTMENTS – ALL FUNDS

For The Year Ended September 30, 2011

<u>OWNERSHIP</u>	<u>TYPE OF INVESTMENT</u>	<u>INTEREST RATE</u>	<u>ACQUISITION DATE</u>	<u>MATURITY DATE</u>	<u>OTHER INFORMATION</u>	<u>INVESTMENT COST/VALUE</u>
Enterprise Fund - Water Dept.	Certificate of Deposit	.90%	9/10/11	9/10/12	Bank of Walnut Grove	\$ 3,000
Enterprise Fund - Gas System	Certificate of Deposit	1.00%	8/29/11	8/29/12	Bank of Walnut Grove	\$20,000
Gas System	- Certificate of Deposit	.90%	9/12/11	9/12/12	Bank of Walnut Grove	<u>\$25,128</u>
TOTAL INVESTMENTS:						<u>\$48,128</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS

For the Year Ended September 30, 2011

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land	\$ 84,829			\$ 84,829
Buildings	376,703			376,703
Machinery and Equipment	398,607	59,965	-0-	458,572
Lagoon Improvements	848,878	4,135		853,013
Construction in process - Library	<u>-0-</u>	<u>106,434</u>	<u>-0-</u>	<u>106,434</u>
Total Governmental activities capital assets	<u>\$1,709,017</u>	<u>\$ 170,534</u>	<u>\$ -0-</u>	<u>\$ 1,879,551</u>
Business-type activities				
Capital Assets:				
Land	\$ 237,071			\$ 237,071
Buildings	80,545			80,545
Machinery and Equipment	314,004	25,275		339,279
Gas system	660,309			660,309
Water and sewer system	<u>3,789,900</u>	<u> </u>	<u> </u>	<u>3,789,900</u>
Total Business-type activities capital assets	<u>\$5,081,829</u>	<u>\$ 25,275</u>	<u>\$ -0-</u>	<u>\$5,107,104</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SUPPLEMENTARY SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS

September 30, 2011

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Grady Sims	Mayor	MS Municipal Board Program	25,000
Paula Jones-Putnam	Town Clerk	Brierfield Insurance	50,000
Michelle Anderson	Deputy Clerk	Brierfield Insurance	50,000
Jerry Millsaps	Utilities Manager	Western Surety Co.	1,000
Joseph Lee	Police Officer	Brierfield Insurance	25,000
Kevin Polk	Chief of Police	Brierfield Insurance	50,000
Chiquitia Cooks	Police Officer	Brierfield Insurance	25,000
Jimmy Lewis	Police Officer	Brierfield Insurance	25,000
Jason Gilbert	Maint. Supervisor	Brierfield Insurance	50,000
James Gomillion	Alderman	MS Municipal Board Program	10,000
David Dumas	Alderman	MS Municipal Board Program	10,000
Pamela Gill	Alderman	MS Municipal Board Program	10,000
Jerry Darby	Alderman	MS Municipal Board Program	10,000
Marvin Jones	Alderman	MS Municipal Board Program	10,000
Little Richard Smith	Police Officer	Brierfield Insurance	50,000
Joseph D. Cantner	Police Officer	Brierfield Insurance	25,000
Justin Sims	Police Officer	Brierfield Insurance	25,000
Jeffrey S. Tolleson	Police Officer	Brierfield Insurance	25,000
Todd Thibeault	Police Officer	Brierfield Insurance	50,000

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements and supplemental information of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2011, and have issued our report dated July 19, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws 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 and supplemental information disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are described as the accompanying schedule of findings and responses as item 2011-3.

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

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

Butchart, Ellzey & Associates

Canton, Mississippi
July 19, 2012

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2011, and have issued our report thereon dated July 19, 2012. The report on the 2011 combined statement of cash receipts and disbursements stated the financial statement was presented using the cash receipts and disbursements regulatory basis of accounting prescribed or permitted for towns with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000, by the State of Mississippi Office of State Auditor. The effect on the combined statement of cash receipts and disbursements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are labeled as items 2011-1 and 2011-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Walnut Grove, Mississippi's combined statement of cash receipts and disbursements is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-3.

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

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

Butchart, Ellzey & Associates

Canton, Mississippi

July 19, 2012

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Deficiency Number 2011-1

Condition: The current size of the Town's workforce limits the ability to employ adequate segregation of duties among the accounting functions. Most office duties are performed by the Town Clerk and the deputy clerk and they are segregated as much as possible.

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

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

Response: The Town concurs with the recommendation.

Material Deficiency Number 2011-2

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

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

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

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

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2011

COMPLIANCE WITH STATE LAWS AND REGULATIONS – AND OTHER MATTERS

Finding Number 2011-3

Finding. A former town official was investigated by the State Auditor's office in connection with the misuse of town equipment. This investigation was completed subsequent to the September 30, 2011 year end.

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

July 19, 2012

To The Board of Aldermen
Town of Walnut Grove, Mississippi

We have audited the combined statements of cash receipts and disbursements of Town of Walnut Grove, Mississippi, for the year ended September 30, 2011, and have issued our report thereon dated July 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 15, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Walnut Grove, Mississippi, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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AUG 23 2012

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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AUG 23 2012

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Aldermen and Town of Walnut Grove, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Butchart, Elby + Associales

Canton, Mississippi

TOWN OF WALNUT GROVE, MISSISSIPPI

AUDIT REPORT

September 30, 2011

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TOWN OF WALNUT GROVE, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, for the year ended September 30, 2011. The combined statement of cash receipts and disbursements is the responsibility of the Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on the combined statement of cash receipts and disbursements based on our audit.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the combined statement of cash receipts and disbursements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Town of Walnut Grove, Mississippi, as of September 30, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the Town of Walnut Grove, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statement.

In our opinion, the combined statement of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of each fund of Town of Walnut Grove, Mississippi for the year ended September 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, on our consideration of the Town of Walnut Grove, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Butchart, Flzey & Associates

Canton, Mississippi
July 19, 2012

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2011

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
<u>Revenue Receipts:</u>				
General Property Taxes	\$ 35,847	\$ -	\$ 35,847	\$ 37,778
Licenses and Permits	1,921		1,921	1,268
In Lieu of Taxes and Impact Fees	192,207		192,207	180,571
Public Utility Franchise	18,773		18,773	18,747
<u>Intergovernmental Revenues:</u>				
Hurricane Katrina CDBG	4,135		4,135	123,468
Emergency Repair Grant		95,214	95,214	-
Library Grant	63,061		63,061	-
<u>State Shared Revenues:</u>				
General Municipal Aid	253		253	253
Sales Tax	85,604		85,604	151,583
Gasoline Tax	3,044		3,044	1,342
Public Safety	3,039		3,039	-
Fire Insurance Premium Tax Distribution	9,805		9,805	2,658
Homestead Exemption	2,613		2,613	2,855
Emergency Management	16,802		16,802	-
TVA in Lieu of Taxes	10,608		10,608	9,232
<u>County Revenue:</u>				
Auto and regular Advalorem	30,715		30,715	24,921
Fire Protection	10,108		10,108	10,074
<u>Charges for Services:</u>				
Gas Utility		931,782	931,782	1,036,911
Water and Sewer Utility		253,244	253,244	279,611
Garbage Fees	25,522		25,522	22,723
Police Fines	70,039		70,039	11,158
Rental Income	43,400		43,400	42,500
Interest Income	570	1,220	1,790	1,490
Recreational Funds	18,000		18,000	6,000
Other Income	44,369	5,214	49,583	2,756
	<u>44,369</u>	<u>5,214</u>	<u>49,583</u>	<u>2,756</u>
Total Receipts	<u>\$ 690,435</u>	<u>\$ 1,286,674</u>	<u>\$ 1,977,109</u>	<u>\$ 1,967,899</u>
<u>Other Receipts:</u>				
Capital Lease Obligations	\$ 25,043	\$ -	\$ 25,043	\$ -
Loan Proceeds	-	17,687	17,687	-
Transfers	188,614	-	188,614	56,657
	<u>188,614</u>	<u>-</u>	<u>188,614</u>	<u>56,657</u>
Total Other Receipts	<u>\$ 213,657</u>	<u>\$ 17,687</u>	<u>\$ 231,344</u>	<u>\$ 56,657</u>
Total Receipts	<u>\$ 904,092</u>	<u>\$ 1,304,361</u>	<u>\$ 2,208,453</u>	<u>\$ 2,024,556</u>
Cash Balance - Beginning of Year	<u>314,737</u>	<u>491,217</u>	<u>805,954</u>	<u>531,519</u>
TOTAL AMOUNT TO ACCOUNT FOR	<u>\$ 1,218,829</u>	<u>\$ 1,795,578</u>	<u>\$ 3,014,407</u>	<u>\$ 2,556,075</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

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

For the Fiscal Year Ended September 30, 2011

	<u>General</u>	<u>Proprietary Funds</u>	<u>Totals (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
<u>Operating Disbursements:</u>				
General Government (Executive and Financial)				
Personnel	\$ 45,009	\$ -	\$ 45,009	\$ 64,588
Other	54,588		54,588	94,645
Public Safety:				
Police				
Personnel	197,504		197,504	187,527
Court fees, jail costs, supplies	62,851		62,851	19,567
Fire	12,539		12,539	4,501
Highways and Streets:				
Lights and Maintenance	162,148		162,148	17,392
Sanitation - Garbage Collection	15,269		15,269	7,742
Culture and Recreation:				
Ball fields	-		-	20,460
Libraries	64,953		64,953	48,171
Enterprises:				
Water and Sewer Utility:				
Personnel		37,424	37,424	36,184
Maintenance and Power		206,214	206,214	133,872
Other		12,818	12,818	15,324
Gas Utility:				
Personnel		263,377	263,377	240,721
Gas Purchases		335,668	335,668	417,403
Maintenance and Power		88,884	88,884	55,943
Other		86,909	86,909	57,588
Interest on Loans	1,359	9,665	11,024	7,090
COPS Grant Repayment	1,670	-	1,670	5,294
	<u>617,890</u>	<u>1,040,959</u>	<u>1,658,849</u>	<u>1,434,012</u>
<u>Total Operating Disbursements</u>				
 <u>Other Disbursements:</u>				
Bank Loans/ Capital Leases Paid	\$ 13,027	\$ 58,912	\$ 71,939	\$ 72,933
Capital Outlay	170,534	25,275	195,809	186,519
Loans and Transfers	-	188,614	188,614	56,657
	<u>183,561</u>	<u>272,801</u>	<u>456,362</u>	<u>316,109</u>
<u>Total Other Disbursements</u>				
 <u>Total Disbursements</u>				
	\$ 801,451	\$ 1,313,760	\$ 2,115,211	\$ 1,750,121
 <u>Cash Balance - End of Year</u>				
	<u>417,378</u>	<u>481,818</u>	<u>899,196</u>	<u>805,954</u>
 <u>TOTAL AMOUNT ACCOUNTED FOR</u>				
	<u>\$ 1,218,829</u>	<u>\$ 1,795,578</u>	<u>\$ 3,014,407</u>	<u>\$ 2,556,075</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUNDS

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

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

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

ENCUMBRANCES

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

COMPENSATED ABSENCES

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT AND EQUIPMENT

GENERAL FIXED ASSETS ACCOUNT GROUP

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

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

REPORT CLASSIFICATIONS

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

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable on January 1. The Town’s property taxes are collected and remitted to the Town by the Leake County Tax Collector. Town property tax revenues are recognized when received.

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2011 was 1.325 per \$100.

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the Town's deposits was \$899,196, and the bank balance was \$902,099. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Town's investments consist solely of certificates of deposit-Category 1 type investments.

NOTE 3 – LEASE REVENUE

The Town leases buildings under short-term operating leases.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and Town of Walnut Grove is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. Town of Walnut Grove's contributions to PERS for the years ended September 30, 2011, 2010 and 2009 were \$45,567, \$43,462, and \$37,523 respectively, equal to the required contributions for each year. In addition, in the year ended September 30, 2010, there was an additional amount of \$20,441 paid for prior years' contributions for town officials that should have been covered but were not.

TOWN OF WALNUT GROVE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT

The following is a summary of notes payable transactions of the Town for the year ended September 30, 2011.

WATER AND SEWER FUND

Balance of notes payable at October 1, 2010	\$221,591
Principal payments made during the year:	
Trustmark	(16,220)
Mississippi Department of Economic & Community Development	<u>(32,708)</u>
Balance of Notes Payable at 9/30/11	<u>\$172,663</u>

Long-term debt at September 30, 2011 consisted of the following:

3 % note payable to Mississippi Department of Economic and Community Development, due in 180 monthly installments of \$3453, beginning February 1, 2000.	\$172,663
Less current portion	<u>36,894</u>
Long-term Debt	<u>\$135,769</u>

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

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 36,894	\$ 4,541	\$ 41,435
2013	38,016	3,419	41,435
2014	39,172	2,263	41,435
2015	40,364	1,071	41,435
2016	<u>18,217</u>	<u>86</u>	<u>18,303</u>
	<u>\$172,663</u>	<u>\$ 11,380</u>	<u>\$184,043</u>

GAS FUND

Balance of notes payable at October 1, 2010	\$ -0-
Loan proceeds during year	17,687
Principal payments made during the year: Bank of Walnut Grove	(<u>3,317</u>)
Balance of Notes Payable at 9/30/11	<u>\$ 14,370</u>

Long-term debt at September 30, 2011 consisted of the following:

3.00% note payable to Bank of Walnut Grove, due in 36 monthly installments of \$514.00 beginning April 2011.	\$ 14,370
Less current portion	<u>5,821</u>
Long-term Debt	<u>\$ 8,549</u>

These notes are expected to be repaid from gas revenues.

TOWN OF WALNUT GROVE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,821	\$ 349	\$ 6,170
2013	5,997	173	6,170
2014	<u>2,552</u>	<u>19</u>	<u>2,571</u>
	<u>\$ 14,370</u>	<u>\$ 541</u>	<u>\$ 14,911</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Balance of outstanding debt at October 1, 2010	\$ 37,145
Capital lease obligation incurred during year	25,043
Principal payments made during year	(<u>21,364</u>)
Balance of outstanding debt at September 30, 2011	<u>\$ 40,824</u>

Long-term debt at September 30, 2011 consisted of the following:

3.4% Capital lease on two patrol cars and one service truck, due in 36 monthly payments of \$1,665.62 through August 2012.	\$ 16,452
3.0% Capital lease on 2011 Ford truck, due in 36 monthly Payments of \$728.18, through September 2014.	<u>24,372</u>
	\$ 40,824
Less current portion	<u>24,568</u>
Long-term Debt	<u>\$ 16,256</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT - CONTINUED

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,568	\$ 826	\$ 25,394
2013	8,365	373	8,738
2014	<u>7,891</u>	<u>119</u>	<u>8,010</u>
	<u>\$ 40,824</u>	<u>\$ 1,318</u>	<u>\$ 42,142</u>

NOTE 6 – COMMUNITY DEVELOPMENT BLOCK GRANT

The Town of Walnut Grove has been approved for a Hurricane Katrina Supplemental Community Development Block Grant to be used in making improvements to its lagoon system. The total amount of the grant consists of \$916,680 of federal funds. During the year ended September 30, 2011 the Town received and expended the final \$4,135 of the grant funds. During the year ended September 30, 2010 the Town received and expended \$123,468 of the grant funds.

NOTE 7 – CONTINGENT LIABILITIES

GRANT AUDIT

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

RISK MANAGEMENT

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

SUPPLEMENTAL INFORMATION

GROVE, MISSISSIPPI

TERM DEBT - ALL FUNDS

2011

<u>FINAL MATURITY DATE</u>	<u>BALANCE OUTSTANDING 10/1/2010</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE OUTSTANDING 9/30/2011</u>
10/7/2010	\$ 16,220	\$ -	\$ 16,220	\$ -
1/1/2016	\$ 205,371	\$ -	\$ 32,708	\$ 172,663
	\$ 221,591	\$ -	\$ 48,928	\$ 172,663
3/10/2014	\$ -	\$ 17,687	\$ 3,317	\$ 14,370
3/1/2011	\$ 1,670	\$ -	\$ 1,670	\$ -
8/10/2012	\$ 35,475	\$ -	\$ 19,023	\$ 16,452
9/10/2014	\$ -	\$ 25,043	\$ 671	\$ 24,372
	\$ 37,145	\$ 25,043	\$ 21,364	\$ 40,824
	\$ 258,736	\$ 42,730	\$ 73,609	\$ 227,857

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF INVESTMENTS – ALL FUNDS

For The Year Ended September 30, 2011

<u>OWNERSHIP</u>	<u>TYPE OF INVESTMENT</u>	<u>INTEREST RATE</u>	<u>ACQUISITION DATE</u>	<u>MATURITY DATE</u>	<u>OTHER INFORMATION</u>	<u>INVESTMENT COST/VALUE</u>
Enterprise Fund - Water Dept.	Certificate of Deposit	.90%	9/10/11	9/10/12	Bank of Walnut Grove	\$ 3,000
Enterprise Fund - Gas System	Certificate of Deposit	1.00%	8/29/11	8/29/12	Bank of Walnut Grove	\$20,000
Gas System	- Certificate of Deposit	.90%	9/12/11	9/12/12	Bank of Walnut Grove	<u>\$25,128</u>
TOTAL INVESTMENTS:						<u>\$48,128</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS

For the Year Ended September 30, 2011

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land	\$ 84,829			\$ 84,829
Buildings	376,703			376,703
Machinery and Equipment	398,607	59,965	-0-	458,572
Lagoon Improvements	848,878	4,135		853,013
Construction in process - Library	<u>-0-</u>	<u>106,434</u>	<u>-0-</u>	<u>106,434</u>
Total Governmental activities capital assets	<u>\$1,709,017</u>	<u>\$ 170,534</u>	<u>\$ -0-</u>	<u>\$ 1,879,551</u>
Business-type activities				
Capital Assets:				
Land	\$ 237,071			\$ 237,071
Buildings	80,545			80,545
Machinery and Equipment	314,004	25,275		339,279
Gas system	660,309			660,309
Water and sewer system	<u>3,789,900</u>	<u> </u>	<u> </u>	<u>3,789,900</u>
Total Business-type activities capital assets	<u>\$5,081,829</u>	<u>\$ 25,275</u>	<u>\$ -0-</u>	<u>\$5,107,104</u>

TOWN OF WALNUT GROVE, MISSISSIPPI

SUPPLEMENTARY SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS

September 30, 2011

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Grady Sims	Mayor	MS Municipal Board Program	25,000
Paula Jones-Putnam	Town Clerk	Brierfield Insurance	50,000
Michelle Anderson	Deputy Clerk	Brierfield Insurance	50,000
Jerry Millsaps	Utilities Manager	Western Surety Co.	1,000
Joseph Lee	Police Officer	Brierfield Insurance	25,000
Kevin Polk	Chief of Police	Brierfield Insurance	50,000
Chiquitia Cooks	Police Officer	Brierfield Insurance	25,000
Jimmy Lewis	Police Officer	Brierfield Insurance	25,000
Jason Gilbert	Maint. Supervisor	Brierfield Insurance	50,000
James Gomillion	Alderman	MS Municipal Board Program	10,000
David Dumas	Alderman	MS Municipal Board Program	10,000
Pamela Gill	Alderman	MS Municipal Board Program	10,000
Jerry Darby	Alderman	MS Municipal Board Program	10,000
Marvin Jones	Alderman	MS Municipal Board Program	10,000
Little Richard Smith	Police Officer	Brierfield Insurance	50,000
Joseph D. Cantner	Police Officer	Brierfield Insurance	25,000
Justin Sims	Police Officer	Brierfield Insurance	25,000
Jeffrey S. Tolleson	Police Officer	Brierfield Insurance	25,000
Todd Thibeault	Police Officer	Brierfield Insurance	50,000

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements and supplemental information of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2011, and have issued our report dated July 19, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws 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 and supplemental information disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are described as the accompanying schedule of findings and responses as item 2011-3.

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

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

Butchart, Ellzey & Associates

Canton, Mississippi
July 19, 2012

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

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

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

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

We have audited the combined statement of cash receipts and disbursements of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2011, and have issued our report thereon dated July 19, 2012. The report on the 2011 combined statement of cash receipts and disbursements stated the financial statement was presented using the cash receipts and disbursements regulatory basis of accounting prescribed or permitted for towns with total revenues or expenditures equal to or greater than \$1,000,000 but less than \$10,000,000, by the State of Mississippi Office of State Auditor. The effect on the combined statement of cash receipts and disbursements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are labeled as items 2011-1 and 2011-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Walnut Grove, Mississippi's combined statement of cash receipts and disbursements is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-3.

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

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

Butchart, Ellzey & Associates

Canton, Mississippi

July 19, 2012

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Deficiency Number 2011-1

Condition: The current size of the Town's workforce limits the ability to employ adequate segregation of duties among the accounting functions. Most office duties are performed by the Town Clerk and the deputy clerk and they are segregated as much as possible.

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

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

Response: The Town concurs with the recommendation.

Material Deficiency Number 2011-2

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

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

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

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

TOWN OF WALNUT GROVE, MISSISSIPPI
SCHEDULE OF FINDINGS and RESPONSES
For the Year Ended September 30, 2011

COMPLIANCE WITH STATE LAWS AND REGULATIONS – AND OTHER MATTERS

Finding Number 2011-3

Finding. A former town official was investigated by the State Auditor's office in connection with the misuse of town equipment. This investigation was completed subsequent to the September 30, 2011 year end.

Butchart, Ellzey & Associates

A Professional Corporation
Jackson & Canton

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

July 19, 2012

To The Board of Aldermen
Town of Walnut Grove, Mississippi

We have audited the combined statements of cash receipts and disbursements of Town of Walnut Grove, Mississippi, for the year ended September 30, 2011, and have issued our report thereon dated July 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 15, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Walnut Grove, Mississippi, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Aldermen and Town of Walnut Grove, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Butchart, Elly + Associates

Canton, Mississippi