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FINANCIAL STATEMENTS
TOWN OF SMITHVILLE, MISSISSIPPI
Year Ended September 30, 2015

TOWN OF SMITHVILLE, MISSISSIPPI
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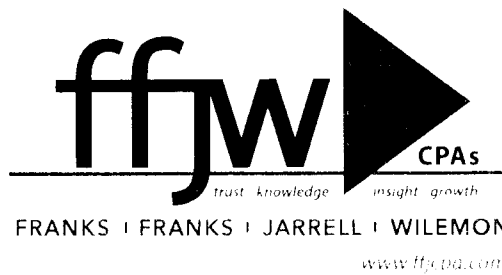
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Partners

Gary Franks, CPA

Greg Jarrell, CPA

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Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Smithville, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements – Government Wide of the Town of Smithville, Mississippi, for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

As described more fully in Note A, the Town of Smithville, Mississippi has prepared these financial statements using accounting practices prescribed or permitted by the Mississippi Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Smithville, Mississippi as of September 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Smithville, 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 statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Smithville, Mississippi, as of September 30, 2015 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note A.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Smithville, Mississippi taken as a whole. Supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the Town of Smithville, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended for the information of the Town's management and the Office of the Mississippi 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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, MS
March 9, 2016

BASIC FINANCIAL STATEMENTS

TOWN OF SMITHVILLE, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the year ended September 30, 2015

	Governmental Activities			Business-type Activities				Total
	General	Special Revenue	Total	Water	Rural Water	Sewer	Total	
RECEIPTS								
Ad Valorem Taxes:								
Real and Personal Taxes	\$ 90,111	\$ 9,948	\$ 100,059	\$	\$	\$	\$	\$ 100,059
Penalties and Interest	1,285	-	1,285					1,285
Intergovernmental Revenues:								
Federal Revenue								
FEMA Grant	-	134,066	134,066					134,066
State Shared Revenues								
Sales Tax	77,663	-	77,663					77,663
Gasoline Tax	2,767	-	2,767					2,767
Municipal Aid	470	-	470					470
Fire Protection Allocation		5,126	5,126					5,126
Homestead Reimbursement	14,326	1,592	15,918					15,918
TVA - In Lieu	6,267	-	6,267					6,267
Other State Grants	12,821	-	12,821					12,821
Other Intergovernmental Revenue								
County Fire Protection	-	10,000	10,000					10,000
Charges for Services:								
Water & Sewer Systems				107,470	152,639	83,733	343,842	343,842
Garbage Collections	39,826	-	39,826					39,826
Franchise Fees	12,541	-	12,541					12,541
Privilege License	826	-	826					826
Court Fines	16,366	-	16,366					16,366
Building Permits	869	-	869					869
Interest Income	45	-	45	8	-	-	8	53
Rents	2,150	-	2,150					2,150
Disaster Relief Donations	1,259	50	1,309					1,309
Other Income	3,228	-	3,228	6,779	6,538	-	13,317	16,545
Other Receipts:								
Sale of Surplus Assets	2,230		2,230	554	554	-	1,108	3,338
Total Receipts	\$ 285,050	\$ 160,782	\$ 445,832	\$ 114,811	\$ 159,731	\$ 83,733	\$ 358,275	\$ 804,107

TOWN OF SMITHVILLE, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the year ended September 30, 2015

	Governmental Activities			Business-type Activities				Total
	General	Special Revenue	Total	Water	Rural Water	Sewer	Total	Government-wide
DISBURSEMENTS								
General Administration and Finance	\$ 140,888	\$ -	\$ 140,888	\$ -	\$ -	\$ -	\$ -	\$ 140,888
Public Safety:								
Police	115,885	-	115,885					115,885
Fire	-	16,292	16,292					16,292
Public Works:								
Street Department	22,707	-	22,707					22,707
Sanitation	31,004	-	31,004					31,004
Park and Recreation	5,968	6,778	12,746					12,746
Proprietary - Water, Rural Water & Sewer				95,619	113,700	88,168	297,487	297,487
Interest and Fiscal Charges	16,499	-	16,499	11,334	17,392	-	28,726	45,225
Total Disbursements	332,951	23,070	356,021	106,953	131,092	88,168	326,213	682,234
Excess (Deficiency) of receipts over (under) disbursements	(47,901)	137,712	89,811	7,858	28,639	(4,435)	32,062	121,873
OTHER FINANCING SOURCES (USES)								
Property Additions	(3,995)	(252)	(4,247)	(3,547)	(8,032)	-	(11,579)	(15,826)
Loan Forgiveness	328,330	-	328,330	-	-	-	-	328,330
Redemption of Principal	(466,134)	-	(466,134)	(14,034)	(29,201)	-	(43,235)	(509,369)
Customer Deposits	-	-	-	3,675	1,575	-	5,250	5,250
Transfers In	163,369	-	163,369	5,000	5,000	5,000	15,000	178,369
Transfers Out	(44,303)	(134,066)	(178,369)	-	-	-	-	(178,369)
Total Other Financing Sources (Uses)	(22,733)	(134,318)	(157,051)	(8,906)	(30,658)	5,000	(34,564)	(191,615)
Excess (Deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(70,634)	3,394	(67,240)	(1,048)	(2,019)	565	(2,502)	(69,742)
Cash Basis Fund Balance - Beginning of Year	136,439	31,465	167,904	12,603	13,001	1,637	27,241	195,145
Cash Basis Fund Balance - End of Year	\$ 65,805	\$ 34,859	\$ 100,664	\$ 11,555	\$ 10,982	\$ 2,202	\$ 24,739	\$ 125,403

See notes to the financial statements.

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

Basis of Accounting

The Town of Smithville prepares its financial statements on the cash receipts and disbursements basis of accounting as permitted by the Mississippi Office of the State Auditor. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current position and expenditures are recognized when the funds are disbursed rather than when the liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Under this basis of accounting, the Town has elected to omit substantially all government-wide financial statements, fund financial statements, management discussion and analysis, required supplemental information, and other supplemental information required under generally accepted accounting principles.

Government-Wide Financial Statements

The statement of cash receipts and disbursements displays information on all non-fiduciary activities of the primary government. The statement distinguishes between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of cash receipts and disbursements presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Financial Statement Presentation

The Town reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental fund.

The Town reports the following major proprietary funds:

Water Fund – This fund is used to account for the Town's water distribution system.

Rural Water Fund – This fund is used to account for the Town's rural water distribution system.

Sewer Fund – This fund is used to account for the Town's sewer collection and treatment system.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water, charges for sewer treatment and sale of gas. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Included within the reporting entity:

Town of Smithville water, rural water and sewer system. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water and sewer debt remains with the government.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue & Expense Recognition

Revenues for all fund types are recognized when received, expenditures are recorded when paid.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received.

Interfund Transactions

Interfund transactions have not been eliminated from these financial statements.

NOTE B – CASH AND INVESTMENTS

Cash and Investments

Deposits- The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's deposits 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.

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest 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, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The Town's investments as of September 30, 2015 are:

Investments:

Certificates of Deposit	\$ 38,800
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TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE C – PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. The Town bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the Town.

NOTE D – LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of September 30, 2015 (including interest payments of \$456,336) are as follows:

Fiscal Year Ended September 30,	Notes Payable	USDA Loans	Interest	Total
2016	\$ 50,000	\$ 35,284	\$ 38,560	\$ 123,844
2017	330,480	36,034	28,897	395,411
2018	-	36,800	26,617	63,417
2019	-	37,582	25,835	63,417
2020	-	38,381	25,036	63,417
2021-2025	-	204,488	112,597	317,085
2026-2030	-	227,159	89,926	317,085
2031-2035	-	252,342	64,743	317,085
2036-2040	-	280,315	36,769	317,084
2041-2043	-	166,039	7,356	173,395
	<u>\$ 380,480</u>	<u>\$ 1,314,424</u>	<u>\$ 456,336</u>	<u>\$ 2,151,240</u>

NOTE E – LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.

NOTE F – DEFINED BENEFIT PENSION PLAN

Plan Description - The Town of Smithville 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.

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN (continued)

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 the Town of Smithville is required to contribute at an actuarially determined rate. The current rate is 15.75 % 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 Smithville's contributions to PERS for the years ending September 30, 2015, 2014 and 2013 were \$37,576, \$39,135, and \$36,670 respectively, equal to the required contributions for each year.

NOTE G – RISK MANAGEMENT

The Town of Smithville is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the Town retains the risk of loss.

Risk of loss related to workers compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2015, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

TOWN OF SMITHVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
Financial and Admin			
Other Services and Charges	\$ 52,680	\$ 53,008	\$ 328
Sanitation			
Other Services and Charges	30,877	30,975	98

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2016, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF SMITHVILLE, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2015

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING October 1, 2014</u>	<u>TRANSACTIONS DURING FISCAL YEAR ISSUED</u>	<u>TRANSACTIONS DURING FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING September 30, 2015</u>
Revenue Bonds:				
USDA Rural Development - Utility	\$ 73,936	\$ 0	\$ 1,916	\$ 72,020
USDA Rural Development - Utility	1,275,574	0	33,170	1,242,404
Berkadia - Utility	8,149	0	8,149	0
	<u>1,357,659</u>	<u>0</u>	<u>43,235</u>	<u>1,314,424</u>
Other Long-Term Debt:				
FEMA CDL Loan	174,511	0	174,511	0
Note Payable - Renasant Bank	150,000	0	50,000	100,000
Note Payable - TRPDD	372,103	0	91,623	280,480
Note Payable - Gilmore Foundation	150,000	0	150,000	0
	<u>846,614</u>	<u>0</u>	<u>466,134</u>	<u>380,480</u>
 TOTAL	 \$ <u>2,204,273</u>	 \$ <u>0</u>	 \$ <u>509,369</u>	 \$ <u>1,694,904</u>

TOWN OF SMITHVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Ann Seales	Town Clerk	St Paul Travelers	\$ 50,000
Jane Cantrell	Deputy Clerk	St Paul Travelers	\$ 50,000
Jane Cantrell	Court Clerk	St Paul Travelers	\$ 50,000
Darwin Hathcock	Deputy Court Clerk	St Paul Travelers	\$ 50,000
Gregg Kennedy	Mayor	MS Municipal Bond Program	\$ 50,000
Darwin Hathcock	Chief of Police	St Paul Travelers	\$ 50,000
Donnie Sloan	Police Officer	St Paul Travelers	\$ 25,000
Eric Mills	Police Officer	St Paul Travelers	\$ 25,000
John Bishop	Police Officer	St Paul Travelers	\$ 25,000
Scott Edwards	Police Officer	St Paul Travelers	\$ 25,000
Jimmy Dabbs, Sr.	Alderman	MS Municipal Bond Program	\$ 50,000
Early Wayne Cowley	Alderman	MS Municipal Bond Program	\$ 50,000
Jim T. Herren	Alderman	MS Municipal Bond Program	\$ 50,000
Johnny Snow	Alderman	MS Municipal Bond Program	\$ 50,000
Joyce Avery	Alderman	MS Municipal Bond Program	\$ 50,000

TOWN OF SMITHVILLE, MISSISSIPPI
SCHEDULE OF CAPITAL ASSETS
For the year ended September 30, 2015

Governmental Activities:

	Balance October 1, 2014	Additions	Disposals	Balance September 30, 2015
Capital Assets:				
Land	\$ 76,750	\$ -	\$ -	\$ 76,750
Buildings	1,673,593	3,995	-	1,677,588
Machinery and Equipment	945,792	252	-	946,044
Construction in Progress	-	-	-	-
Total Governmental Activities capital assets	\$ <u>2,696,135</u>	\$ <u>4,247</u>	\$ <u>-</u>	\$ <u>2,700,382</u>

Business-Type Activities:

Capital Assets:				
Land	\$ 39,687	\$ -	\$ -	\$ 39,687
Buildings	-	-	-	-
Machinery and Equipment	173,678	11,579	-	185,257
Infrastructure	6,449,648	-	-	6,449,648
Construction in Progress	-	-	-	-
Total Business-Type Activities capital assets	\$ <u>6,663,013</u>	\$ <u>11,579</u>	\$ <u>-</u>	\$ <u>6,674,592</u>

OTHER REPORTS

P.O. Box 731
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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Board of Aldermen
Town of Smithville, Mississippi

We have audited, in accordance with the 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, the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Smithville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Smithville, Mississippi's basic financial statements and have issued our report thereon dated March 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Smithville, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Smithville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Smithville, Mississippi's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See findings 2015-01 and 2015-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smithville, Mississippi's financial statements are free from 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 responses as items 2015-02 and 2015-03.

Town of Smithville's Response to Findings

The Town of Smithville, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Smithville, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, MS
March 9, 2016

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen
Town of Smithville, Mississippi

We have audited the financial statements of the Town of Smithville, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated March 9, 2016. 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 the *Government Auditing Standards*.

As required by the State legal compliance audit program prescribed by the Mississippi 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 general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as findings number 2015-02 and 2015-03.

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 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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
March 9, 2016

**TOWN OF SMITHVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

FINDING NO. 2015-01 Segregation of Duties (Significant Deficiency)

Criteria: The Town is to establish an internal control structure to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements

Cause of Condition: The size of the Town's work force does not permit proper segregation of duties in various areas of the accounting system. The Town has only a few employees which makes proper segregation of duties impractical.

Recommendation: The Town should utilize other systems of checks and balances to minimize the inherent weaknesses in internal controls. Also, the Board of Aldermen should continue to monitor the Town's financial position on a monthly basis.

Response: The Board of Aldermen understands the inherent weakness in internal control that exists due to employing limited personnel who have access to many accounting phases, specifically the handling of cash. The Board of Aldermen will continue to closely monitor the Town's financial position on a monthly basis as a mitigating factor to the inherent weakness related to the Town's lack of segregation of duties.

FINDING NO. 2015-02 Employee Files (Significant Deficiency, Noncompliance)

Criteria: The Town is to maintain internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Cause of Condition: The Town did not maintain adequate internal controls over certain areas of the payroll function. The deficiencies specifically related to the lack of documentation required for employee files.

Recommendation: The Town should implement a system of internal control over the employee file system to ensure proper documentation is maintained for all employees of the Town.

Response: The Town will review the current internal controls over employee files and implement additional controls as needed to ensure all documentation is properly maintained.

**TOWN OF SMITHVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

FINDING NO. 2015-03 Budget Overages (Noncompliance)

Criteria: The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-15, Mississippi Code Ann. (1972), requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meeting month for monitoring the budget status.

Cause of Condition: The Town had a budget overage in two general fund expenditure categories for the year ended September 30, 2015.

Recommendation: The Town should establish a system of control that prevents the approval of expenditures over the amounts set forth in the budget.

Response: The Town will take steps necessary to ensure the budgets are amended prior to budget overages occurring.