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**Town of Burnsville  
Annual Report  
September 30, 2006**

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STATE AUDITOR'S OFFICE

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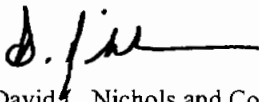
David L. Nichols, CPA

## Accountant's Compilation Report

Honorable Mayor and Board of Aldermen  
Burnsville, Mississippi

We have compiled the accompanying Combined Statement of Receipts and Disbursements of the Town of Burnsville, Mississippi, for the year ending September 30, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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



David L. Nichols and Company  
Certified Public Accountants

December 15, 2006

Town of Burnsville  
 Combined Statement of Cash Receipts and Disbursements  
 For the Period Ended September 30, 2006

	General	Special Revenue	Enterprise	Totals (Memo Only)
<b>Revenues</b>				
General Property Taxes	\$59,685			\$59,685
<b>Licenses &amp; Permits</b>				
Privilege	1,407			1,407
Utility Tax	15,719			15,719
Franchise Taxes				0
<b>Intergovernmental Revenues</b>				
<b>Federal Revenues</b>				
Federal Grants			\$57,875	57,875
Federal Payments in Lieu of Taxes	9,995			9,995
Fuel Tax Rebate				0
<b>State Shared Revenues</b>				
Homestead Exemption Reimbursement	3,534			3,534
General Sales Tax	143,682			143,682
Fire Protection Allocation	5,258			5,258
Gasoline Tax	2,908			2,908
Municipal Aid				0
Other State Grants	2,700		53,173	55,873
<b>Grants from Local Units</b>				
Pro-Rata County Road Tax	14,488			14,488
Fines & Forfeitures	14,340			14,340
<b>Enterprises</b>				
Water			95,309	95,309
Sewer			39,302	39,302
Garbage			37,330	37,330
<b>Total Revenues</b>	<b>\$273,716</b>	<b>\$0</b>	<b>\$282,989</b>	<b>\$556,705</b>

See accompanying notes and accountant's report.

Town of Burnsville  
 Combined Statement of Cash Receipts and Disbursements  
 For the Period Ended September 30, 2006

	General	Special Revenue	Enterprise	Totals (Memo Only)
<b>Operating Expenditures</b>				
General Government	\$117,095			\$117,095
Public Safety				0
Police	84,226			84,226
Fire	5,545			5,545
Public Works	47,753			47,753
Culture and Recreation	\$14,001			14,001
<b>Enterprises</b>				
Water			\$117,366	117,366
Sewer			19,549	19,549
Garbage			29,817	29,817
<b>Total Operating Expenditures</b>	<b>\$268,620</b>	<b>\$0</b>	<b>\$166,732</b>	<b>\$435,352</b>
<b>Excess Receipts over (under)</b>				
Operating Expenditures	\$5,096	\$0	\$116,257	\$121,353
<b>Other Sources and Uses</b>				
Interest Earned	\$1,008	\$1,904	\$474	\$3,386
Note Payments	(1,789)		(13,097)	(14,886)
Interest Payments			(2,105)	(2,105)
Sale of Land				0
Loan Proceeds	170,802			170,802
Capital Outlay	(183,534)		(109,154)	(292,688)
Miscellaneous Income	734		526	1,260
Transfers In	22,000		12,000	34,000
Transfers Out			(34,000)	(34,000)
<b>Total Other Sources (Uses)</b>	<b>\$9,221</b>	<b>\$1,904</b>	<b>(\$145,356)</b>	<b>(\$134,231)</b>
<b>Excess Receipts &amp; Other Sources over (under)</b>				
Operating Expenditures & Other Uses	\$14,317	\$1,904	(\$29,099)	(\$12,878)
Cash Balance-Beginning of Year	32,284	94,478	57,412	184,174
Cash Balance-End of Year	\$46,601	\$96,382	\$28,313	\$171,296

See accompanying notes and accountant's report.

**Town of Burnsville**  
**Notes to the Financial Statements**  
**September 30, 2006**

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Combined Statement of Receipts and Disbursements of the Town of Burnsville, Mississippi, have been prepared in conformity with the cash basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recorded. The cash basis differs from generally accepted accounting principles primarily because accounts receivable, inventory, fixed assets, accounts payable and long-term debt are not included in the Combined Statement of Cash Receipts and Disbursements.

The more significant of the Town 's accounting policies are described below.

A. Reporting Entity

The Town is small municipality located in northeast Mississippi with a population of approximately 1,034. The municipality operates under the Mayor/Alderman form of government in which the mayor and aldermen are elected for four-year terms that expire simultaneously. The Town provides the following services: general administrative services; public safety (police and fire); public works (streets); culture and recreation (parks and library); health and sanitation, water distribution and sewerage.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Mayor and Board of Aldermen.

Discretely Presented Component Units

When applicable, discretely presented component units are reported in separate columns in the combined financial statements to emphasize their legal separation from the government. However, for the current year ended, the Town had no component units.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

Basis of Accounting:

Measurement focus relates to the accounting convention used which determines (1) which assets and which liabilities are included on an entity's balance sheet and (2) whether its operating statement presents "financial flow" information (revenues and expenditures) or "capital maintenance" information (revenues and expenses). Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Major sources of revenues for the Town include user fees charged in the enterprise funds and general sales tax and property taxes collected in the general fund.

**Town of Burnsville**  
**Notes to the Financial Statements**  
**September 30, 2006**

Basis of Presentation

The following fund types are used by the Town of Burnsville:

Governmental Funds:

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

Special Revenue Fund: The Special Revenue Fund is used for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are restricted to expenditures for specified purposes.

Capital Projects Fund: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or general funds).

Debt Service Fund: Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

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 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. For the current year, the Town operated three enterprise funds: Water, Sewer and Sanitation.

Fiduciary Funds

Trust & Agency Funds: Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or an agent for employees, individuals, private organizations, other governments, and/or other funds. These include Nonexpendable Trusts, Pension Trust, and Agency Funds. Nonexpendable Trusts and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash deposits are reported at carrying amount which reasonably estimates fair value.

For financial statement purposes, cash and cash equivalents include all short-term highly liquid investments with

**Town of Burnsville**  
**Notes to the Financial Statements**  
**September 30, 2006**

maturities of three months or less. Instruments considered to be cash equivalents include: treasury bills, certificates of deposit, money market funds, and cash management pools.

It is the Town's policy for all cash and cash equivalents to be held in qualified financial institutions which are insured by the Federal Deposit Insurance Corporation. The Town had no investments for the current year.

2. Total Columns on Financial Statements

Total columns on financial statements captioned "Memo Only" are presented merely to facilitate analysis. Such data is not comparable to a consolidation and interfund eliminations have not been made in the aggregation of this data.

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Town prepares and adopts an annual budget for all governmental funds on the modified accrual basis. The budget acts as the financial plan for the operations of the Town for the ensuing annual period. Revisions may be made to the original budget as necessary with the approval of the Board of Aldermen, however, budgetary amendments which equal or exceed 10 percent of the originally budgeted level must be publicly advertised. The legal level of budgetary control is at the departmental level with all appropriations lapsing at year end. Budgetary amounts are formally integrated into the general ledger.

The proposed budget is presented to the Board at the August meeting and is published at least one time during September. At least one public hearing is held prior to the final adoption of the budget.

By resolution, the Board adopts and approves the final budget by September 15th and enters it in detail upon the minutes.

Management is required by statute to adhere to the limits prescribed by the budget, and the governing body compares actual to budgetary expenditures at each regular monthly meeting.

B. Encumbrances

The Town does not employ encumbrance accounting.

C. Property Taxes

Real property taxes are levied on January 1 and are payable in a single installment due by February 1. The tax rolls are prepared by the County Tax Assessor and are submitted to the Town for approval. Corrections to the tax rolls are approved and authorized by Board of Aldermen.

Property taxes not paid by February 1 are considered in arrears and become subject to tax sale procedures if not paid by August 5. All real property subjected to tax sale procedures is listed and advertised in the manner prescribed by the Mississippi State Code and sold at public auction. Property which is not sold at public auction is forfeited by the taxpayer.

**Town of Burnsville**  
**Notes to the Financial Statements**  
**September 30, 2006**

D. Risk Management

Significant losses of the Town were covered by commercial insurance and the Mississippi Municipal Liability Plan for all major programs. For the insured programs, there were no significant reductions in insurance coverage, and settlement amounts did not exceed coverage for the current year or the three prior years. The Municipal Liability Plan is a self-insured pool which operates essentially in the same manner as a commercial carrier. Participation by the municipality is voluntary and the entity may selectively cover assets under this plan.

E. State Retirement Plan

All eligible employees of the Town of Burnsville participate in the Public Employees Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. The Town payroll for employees covered by PERS for the current year ended totaled \$181,125.

Membership in PERS is a condition of employment for all eligible employees of the State of Mississippi, public schools, institutions of higher learning, community and junior colleges, and eligible employees of municipalities, counties, and other political subdivision and instrumentalities of municipal and county governments that have entered into a Membership Agreement approved by PERS Board of Trustees (Board).

Participating employees who retire at or after age 60 with 4 years of credited service, or those who retire regardless of age with at least 25 years of credited service are entitled to an annual retirement allowance, payable monthly for life in an amount equal to 1.875.% of their average compensation for each year of credited service up to and including 25 years and 2.0% for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the highest compensated years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specific number of years. Benefits vest upon completion of 4 years of credited service. PERS also provides certain death and disability benefits as established by state statute.

All retirees and beneficiaries drawing an allowance from PERS as of December of each year, who have been retired for a least 1 full state fiscal year (July 1 through June 30) are eligible to receive a cost-of-living adjustment (COLA) payable on December 15. The amount of the COLA is based upon the annualized benefit payment, the number of fiscal years retired, the percentage change in the Consumer Price Index, up to a maximum of 2.5%, plus any additional percentage the Board may grant up to a maximum of 1.5%. The base percentage used to compute this payment is cumulative. The Board may grant the additional percentage in increments of 0.25% if there are sufficient investment earnings in excess of the actuarial liabilities in reserves for retired members and beneficiaries.

Covered employees as of the close of the current year of the Town were required by statute to contribute 7.25% of their salary to PERS. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings allocations may be refunded to the employee or designated beneficiary. Each participating employer is required by statute to contribute the remaining amounts necessary to finance the coverage of its own employees. Benefit and contribution provisions are established by state law and may be amended only by the Legislature of the State of Mississippi. The contribution requirement for the current year from the Town was \$30,791 which consisted of \$17,660 from the Town and \$13,131 from employees. The employers and employee contributions represent 9.75% and 7.25% of covered payroll, respectively.

**Town of Burnsville  
Notes to the Financial Statements  
September 30, 2006**

Note 3. **DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

1. Cash and Cash Equivalents

The Town's cash and cash equivalents held on deposit at year end were as follows:

First American National Bank

Cash on Deposit	\$174,062
	<u>=====</u>

2. Pledged Securities for Cash on Deposit

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 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.

At year end, the book balance of all cash, cash equivalents, and investments on deposit totaled \$174,0628 and bank balance was \$180,183. Of the banks' balances, \$100,000.00 was secured by the Federal Deposit Insurance Corporation and the balance was secured by pledged securities .

B. Fixed Assets

1. General Fixed Assets - The Town does not maintain a General Fixed Asset Ledger.

**Town of Burnsville  
Notes to the Financial Statements  
September 30, 2006**

2. Proprietary Fund Fixed Assets

	Water	Sewer	Sanitation	Total
Land	\$6,080	\$3,000		\$9,080
Water Dist System	\$1,937,768			\$1,937,768
Wastewater Dist System		1,832,959		\$1,832,959
Machinery and Equip	71,506			\$71,506
Vehicles	25,376		28,598	\$53,974
Subtotal	2,040,730	1,835,959	28,598	3,905,287
Accumulated Depreciation	(775,390)	(308,997)	(28,598)	(1,112,985)
Totals	<u>\$1,265,340</u>	<u>\$1,526,962</u>	<u>\$0</u>	<u>\$2,792,302</u>

Included in the enterprise fixed assets is capital lease equipment costing \$56,212 of which \$7,041 of amortization has been included as depreciation expense.

C. Long Term Debt

General Fund:

The Town entered into a financing arrangement with People's Leasing Company for the lease purchase of a backhoe on December 20, 2001. The future payments under the lease were \$19,628 with lease payments of \$447 to be made monthly for 60 months at 5.70%. This lease was fully paid off during the current year.

Sewer Fund:

On September 25, 1999, the Town negotiated a bond issue in the amount of \$140,000 at 4.5% interest from USDA Rural Development. The purpose of this issue was to provide funding for the construction of wastewater disposal system improvements. The loan is repayable over a period of 35 years from the date of the loan closing. Interest only payments were due on the first and second anniversary dates of the bond. Thereafter, an equal amortized payment of \$8,225 will be due on the anniversary date of the bond. Redemption of the bond, in whole or in part, may be made at any time. This bond issue is secured by the revenues of the combined water/sewer system. Under the terms of the bond agreement the Town is required to contribute \$3,280 to establish a meter deposit fund. In addition, the Town must fund a reserve account to a total of \$8,225. This reserve is to be accumulated in the amount of \$68 per month for 10 years. Balance on this debt at year end totaled \$122,838.

The Town entered into a financing arrangement with First American National Bank for the lease purchase of a sewer truck on August 19, 2003. The future payments under the lease were \$27,957 with lease payments of \$824 to be made monthly for 36 months at 3.95%. This lease was fully paid off during the current year.

**Town of Burnsville  
Notes to the Financial Statements  
September 30, 2006**

**Water Fund:**

The Town entered into a financing arrangement with First American National Bank for the lease purchase of a backhoe on April 16, 2001. The future payments under the lease were \$16,955 with lease payments of \$395 to be made monthly for 48 months at 5.7%. This lease was paid off during the current year.

The Town entered into a financing arrangement with Kansas State Bank for the lease purchase of a computer system on February 20, 2003. The future payments under the lease were \$14,200 with lease payments of \$351 to be made monthly for 48 months at 8.65%. Balance on the lease at year end was \$1,717.

Changes in Long-Term Liabilities

	Balance Beg of Year	New Issues	Principal Repayments	Balance End of Year	Less Current Portion	Long-Term Debt Balance End of Year
General Long-Term Debt	\$1,331	\$0	\$1,331	\$0	\$0	\$0
Water Fund	8,316	0	6,598	1,718	1,718	0
Sewer Fund	131,723	0	8,885	122,838	2,295	120,543
Totals	\$141,370	\$0	\$16,814	\$124,556	\$4,013	\$120,543

Debt Maturities

	General	Water	Sewer	Total
September 30, 2007	\$0	\$1,718	\$2,295	\$4,013
September 30, 2008	0	0	2,398	2,398
September 30, 2009	0	0	2,506	2,506
September 30, 2010	0	0	2,619	2,619
September 30, 2011	0	0	2,574	2,574
Thereafter	0	0	110,446	110,446
Totals	\$0	\$1,718	\$122,838	\$124,556

**D. Interfund Transfers**

Interfund operating transfers for the current year were as follows, excluding eliminations between funds:

Fund	Transferred	Received
Water	\$28,000	
Sanitation	\$ 6,000	
General		\$22,000
Sewer		\$12,000

**Town of Burnsville  
Notes to the Financial Statements  
September 30, 2006**

E. Unaccounted for Funds

During the course of this audit, it was discovered that funds were unaccounted for. As a result of this finding, an employee was terminated and the Office of the State Auditor was notified. As of the date of this report, the extent of the unaccounted for funds had not been determined and the State Auditor's investigation was still in process.

Town of Burnsville  
Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections  
For the Year Ended September 30, 2006

	Assessed Value	Tax
Adjusted Assessed Valuation:		
Town		
Realty	\$2,275,700	
Personal & Public Utilities	839,674	
Personal - Auto (Remitted by County)	572,620	
Total Town at 18.59 Mills	\$3,687,994	\$68,560
Less: Homestead Exemption Allowed		(8,861)
		\$59,699
Add: Actual Homestead Reimbursement	\$3,533	
In-lieu Taxes	9,995	
Penalties and Interest on Delinquent Taxes	440	
Prior Years Collections	42	
		14,010
Deduct: County Tax Collector's Commissions		(561)
Total to Be Accounted For:		\$73,148
Credits:		
Collections Allocated to:		
General Fund		\$73,212
Balance Represented by:		
Unpaid Taxes	\$394	
Unaccounted for (Oversettled)	(458)	
Total		(64)
Total Accounted For:		\$73,148

See Accountant's Compilation Report.

Town of Burnsville  
Schedule of Surety Bonds  
September 30, 2006

<u>Position</u>	<u>Coverage</u>
Mayor	\$50,000
Alderman	\$ 5,000
City Clerk	\$50,000
Court Clerk	\$50,000
Chief of Police	\$50,000
Police Officer	\$25,000

# David L. Nichols

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## Agreed-Upon Procedures Report

Honorable Mayor and Board of Aldermen  
Burnsville, Mississippi

We have applied certain agreed-upon procedures, as described below, to the accounting records of the Town of Burnsville, Mississippi as of September 30, 2006 and for the year then ended, as required by the Mississippi State Department of Audit. It is understood that this report is solely for the use of the governing body of the Town of Burnsville and the Mississippi State Department of Audit and should not be used for any other purpose. Our procedures and findings are as follows:

- A. We reconciled cash on deposit with the following banks to balances in the respective general accounts and obtained confirmation of the related balances from the bank.

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
First American National Bank	General	\$49,962
First American National Bank	Spec Revenue	\$96,381
First American National Bank	Enterprise	\$24,702
First American National Bank	Agency	\$3,017

- B. The Town of Burnsville held no securities for investment.

- C. We performed the following procedures with respect to taxes on real and personal property taxes levied during the fiscal year.

1. Proved the mathematical accuracy of the tax rolls and traced levies to the governing body's minutes.
2. Reconciled the amount of taxes levied per the taxrolls to amounts actually collected.
3. Examined uncollected taxes for proper handling, including tax sales.
4. Traced distribution of taxes collected to proper funds.
5. Analyzed increase in taxes for most recent period or completion with increase limitations of Sections 27-39-320 to 329 of the Mississippi Code of 1972.

The taxrolls were found to be mathematically correct and in agreement with collections as shown on the Schedule Reconciling Original Advalorem Tax Rolls to Fund Collections.

The distribution of taxes to funds was found to be in accordance with prescribed tax levies and uncollected taxes levies and uncollected taxes were determined to be properly handled.

As valorem tax assessments were found to be within the limitation of Sections 27-39-320 to 329 as follows:

Base 2004	\$74,418	Tax Collected 2005	\$70,073
10% Increase	<u>7,442</u>	Homestead Exemption	<u>3,533</u>
Total Available	<u>\$81,860</u>	Total Collected	\$73,606
		Margin	<u>8,254</u>
			<u>\$81,860</u>

D. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the Town. Payments indicated were traced to deposits in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

Payment Purpose	Receiving Fund	Gen Ledger Amount
TVA in Lieu	General	\$9,995
Sales Tax Allocation	General	\$143,681
Fire Prot Allocation	General	\$5,258
Homestead Exemption	General	\$3,533
Gasoline Tax Rebate	General	\$2,907
General Municipal Aid	General	\$538
Other Aid	General	\$3,000
Other Aid	Water	\$111,047

E. We selected all purchases over \$3,500 made by the Town during the fiscal year. Each item was tested for compliance with purchasing requirements set forth in Sections 31-7-1, 31-7-13, 31-7-49, 31-7-57, and 31-39-1 of the Mississippi Code of 1972 as applicable.

Number of Items	10
Dollar Value of Items Selected	\$274,299

We found the Town's purchasing procedures not to be in agreement with the requirements of the aforementioned sections as follows:

1. The Town failed to obtain bids and quotes on the purchase of Christmas decorations from Holiday Designs for \$3,758.
2. The Town failed to pay the quoted price on the construction of a building by B and S Structures. The bid was for \$10,955 but the Town paid \$11,355.
3. The Town failed to advertise for water pump repairs from Donald Smith Company totaling \$20,375.

F. We have read the Municipal Compliance Questionnaire completed by the Town. The completed questionnaire indicated the following instances of non-compliance with state requirements:

1. Warrants for approved claims were not held until sufficient cash was available in the fund from which it was drawn.
2. The town failed to revise its budget when revenues were less than estimated.
3. The town failed to commission municipal depositories.
4. The town failed to properly tag and account for fixed assets.
5. The town failed to settle state-imposed court assessments monthly.
6. The town failed to deposit fines and forfeitures immediately to the municipal treasury.
7. The town failed to adopt the county ad valorem tax rolls.

Because the above procedures were not sufficient to constitute an examination in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the items specified in paragraphs A, B, or C should be adjusted. Had we performed additional procedures or had we made an examination in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Burnsville, Mississippi, for the year ended September 30, 2006.



David L. Nichols  
Certified Public Accountant PC

December 15, 2006