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TOWN OF LIBERTY, MISSISSIPPI
REPORT ON AGREED-UPON PROCEDURES
YEAR ENDED SEPTEMBER 30, 2006

ALFORD, HOLLOWAY & SMITH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 888, 104 COMMERCE PLACE

McCOMB, MISSISSIPPI 39649-0888

(601) 684-9721

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Honorable Mayor and Board of Alderpersons
Town of Liberty, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Liberty, Mississippi, as of September 30, 2006, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of specified users of the report. It is understood the report is solely for the use of the governing body of the Town of Liberty, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Consequently, we make no representation regarding the sufficiency of the procedures described below either for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts as of September 30, 2006 and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund and Account Name</u>	<u>General Ledger</u>
	General Fund	
Trustmark	Police department drug fund	\$ 15,816
First Bank	Police department drug fund	2,508
First Bank	General operating account	69,655
First Bank	Payroll account	12,107
First Bank	Payroll account	2,154
First Bank	Grant fund	1
Trustmark	Home grant fund	7
	Petty cash	<u>500</u>
	Total General Fund	<u>102,748</u>
	Special Revenue Funds	
Trustmark	Vance Park operating account	1,184
First Bank	Vance Park construction account	943
Trustmark	Perpetual Care operating account	545
First Bank	Perpetual Care CD# 95231	34,174
First Bank	Perpetual Care CD# 94858	<u>29,956</u>
	Total Special Revenue Funds	<u>66,802</u>
	Debt Service Fund	
First Bank	Debt retirement account	1,688
Trustmark	Debt retirement account	<u>62,357</u>
	Total Debt Service Fund	<u>64,045</u>
	Proprietary Funds	
First Bank	Water revenue account	92,715
First Bank	Water bond & interest account	5,531
First Bank	Water depreciation CD# 95080	39,991
Trustmark	Gas operating account	13,632
First Bank	Gas revenue account	97,329

Trustmark	Gas revenue account	182,262
First Bank	Gas depreciation CD#95081	<u>28,119</u>
	Total Proprietary Funds	<u>459,579</u>
	Total all funds	<u>693,174</u>
	Less: Amount restricted	<u>(35,085)</u>
	Amount unrestricted	<u>\$658,089</u>

2. As of September 30, 2006, the Town held no investment securities.
3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:
 - a. Proved the mathematical accuracy of the tax rolls and traced levies to governing body minutes;
 - b. Reconciled the amount of taxes levied per the tax rolls to amounts actually collected;
 - c. Examined uncollected taxes for proper handling, including tax sales;
 - d. Traced distribution of taxes collected to funds; and
 - e. Analyzed increase in taxes for most recent period for conformity with increase limitations of Sections 27-39-320 to 27-39-323 of the Miss. Code Ann. (1972).

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

Advalorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323 Miss. Code Ann. (1972).

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

<u>PAYMENT PURPOSE</u>	<u>RECEIVING FUND</u>	<u>GENERAL LEDGER</u>
General Municipal Aid	General Fund	\$ 330
Gasoline Tax	General Fund	1,780
Homestead Exemption Reim.	General Fund	8,831
Sales Tax Allocation	General Fund	251,403
Grand Gulf	General Fund	9,602
Liquor Privilege Tax	General Fund	900
Fire Protection	General Fund	3,219
Emergency Management	General Fund	15,474
Other Aid	General Fund	100,879

5. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Sections 31-7-1, 31-7-13, 31-7-4 and 31-7-57, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of sample items	10
Total dollar value of sample	\$115,121

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

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed questionnaire indicated compliance with State requirements.

Because the above procedures do not constitute an audit in accordance with auditing standards generally accepted in the United States of America, 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 the above paragraphs should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, 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 Liberty, Mississippi, for the year ended September 30, 2006.

Alford, Holloway & Smith, PLLC
Alford, Holloway and Smith, PLLC
November 22, 2006

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TOWN OF LIBERTY, MISSISSIPPI
ANNUAL REPORT
YEAR ENDED SEPTEMBER 30, 2006

**TOWN OF LIBERTY
ANNUAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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ACCOUNTANT'S REPORT

Honorable Mayor and Board of Alderpersons
Town of Liberty, Mississippi

We have compiled the accompanying combined financial statements of the Town of Liberty as of and for the year ended September 30, 2006, as listed in the Table of Contents under Financial Section, 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 the Town officials. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The supplementary information is presented for the purpose of additional analysis and has been compiled by us from information that is the representation of management of the Town of Liberty, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

Management has not presented government-wide financial statements to display the cash basis financial position and changes in cash basis financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the City's cash basis of accounting, require the presentation of government-wide financial statements.

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

In accordance with the provisions of Par. 21-35-31, Miss. Code Ann. (1972), we have issued a report dated November 22, 2006, on the results of our agreed-upon procedures.

Alford, Holloway & Smith, PLLC

Alford, Holloway & Smith, PLLC

November 26, 2006

TOWN OF LIBERTY, MISSISSIPPI
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	GOVERNMENTAL FUNDS			TOTAL (MEMORANDUM ONLY)		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	PROPRIETARY FUNDS	2006	2005
Revenue receipts:						
Taxes - Advalorem	\$ 88,861	\$ -	\$ 12,374	\$ -	\$ 101,235	\$ 104,937
Licenses and permits	30,529				30,529	24,473
Intergovernmental - State	281,204				281,204	431,637
- Federal	28,564				28,564	-
- County	3,562				3,562	4,520
Fines and forfeits	66,540				66,540	36,916
Charges for services:						
Sanitation	52,031			195,392	52,031	49,757
Water and sewer				372,250	195,392	188,252
Gas					372,250	329,471
Other	34,077				34,077	28,297
Total revenue receipts	585,368	-	12,374	567,642	1,165,384	1,198,260
Other receipts:						
Loan proceeds						147,390
Interfund loans and transfers				13,331	13,331	124,546
Interest	2,256	1,067	1,434	9,381	14,138	13,598
Total other receipts	2,256	1,067	1,434	22,712	27,469	285,534
Total receipts	587,624	1,067	13,808	590,354	1,192,853	1,483,794
Cash balance - beginning of year	82,905	65,736	63,386	420,916	632,943	706,129
Total amount to account for	\$ 670,529	\$ 66,803	\$ 77,194	\$ 1,011,270	\$ 1,825,796	\$ 2,189,923
Operating disbursements:						
General government	\$ 212,449	\$ -	\$ -	\$ -	\$ 212,449	\$ 183,331
Court	20,187				20,187	22,126
Public safety	154,751				154,751	186,414
Sanitation	48,294				48,294	42,148
Highways and streets	43,297				43,297	62,137
Culture and recreation	76,437				76,437	64,001
Enterprises:						
Water and sewer				165,861	165,861	128,975
Gas				316,695	316,695	257,560
Interest on bonds						
Total operating disbursements	555,415	-	-	482,556	1,037,971	946,692
Other disbursements:						
Bonds retired				30,993	30,993	30,922
Capital outlay	12,184			38,143	50,327	454,820
Interfund loans and transfers	182		13,149		13,331	124,546
Customer deposits						
Total other disbursements	12,366	-	13,149	69,136	94,651	610,288
Total disbursements	567,781	-	13,149	551,692	1,132,622	1,556,980
Cash balance - end of year	102,748	66,803	64,045	459,578	693,174	632,943
Total amount accounted for	\$ 670,529	\$ 66,803	\$ 77,194	\$ 1,011,270	\$ 1,825,796	\$ 2,189,923

See accompanying accountant's report and notes which are an integral part of this statement.

TOWN OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: History and Summary of Significant Accounting Policies

History:

The Town of Liberty was incorporated in 1809. The Town operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, parks, public improvements, planning and zoning, and general administrative services.

Fund Accounting:

Financial reporting of the Town is organized into various funds, each considered a separate 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. The various funds are grouped in the financial statements in this report into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Fund in this report includes funds for the perpetual care of a cemetery and park in the corporate limits.

Debt Service Fund - The Debt Service Fund is used to accumulate monies for payment of general bond issues of the Town.

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. The Town of Liberty operates a Gas Fund and a Water and Sewer Fund.

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting:

The accompanying financial statement has been prepared on 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 from customers, inventory, fixed assets, accounts payable to vendors, and long-term debt are not included in the financial statements.

Report Classifications

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

NOTE 2: Property, Plant and Equipment

A summary of changes in general fixed assets is as follows:

	<u>10/1/2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>9/30/2006</u>
Land	\$ 364,925		\$ -	\$ 364,925
Buildings	367,960		-	367,960
Streets	288,028	-	-	288,028
Equipment	456,626	12,185	-	468,811
Total	<u>\$1,477,539</u>	<u>\$ 12,185</u>	<u>\$ -</u>	<u>\$ 1,489,724</u>

A summary of enterprise fixed assets together with accumulated depreciation as of 9/30/06 is as follows:

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Gas Line	\$ 185,450		
Water and Sewer System	1,141,414		
Machinery and Equipment	142,210		
Total	<u>\$ 1,469,074</u>	<u>\$ (746,492)</u>	<u>\$ 722,582</u>

NOTE 3: Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the Town of Liberty, Mississippi is required to contribute at an actuarially determined rate. The rate increased from 10.75% to 11.3% of annual covered payroll, effective July 1, 2006. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Liberty, Mississippi's contributions to PERS for the years ending September 30, 2006 and 2005 were \$29,865 and \$26,189, respectively, equal to the required contributions for each year.

NOTE 4: Restricted Cash

The water and sewer system revenue bonds require certain reserve amounts. These reserve amounts totaled \$25,170 at September 30, 2006.

SUPPLEMENTAL INFORMATION

TOWN OF LIBERTY
SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

DEFINITION AND PURPOSE	BALANCE	TRANSACTIONS DURING		BALANCE
	OUTSTANDING October 1, 2005	FISCAL YEAR ISSUED	FISCAL YEAR REDEEMED	OUTSTANDING September 30, 2006
GENERAL OBLIGATION BONDS: 1997 Capital Improvements Loan through Mississippi Department of Economic and Community Development dated May 31, 1996, due in monthly installments of \$1,095.80 for a period of 15 years at 3.7%.	\$ 79,001	\$ -	\$ 10,423	\$ 68,578
Capital Improvements Loan through Mississippi Department of Economic and Community Development, due in monthly installments of \$1,017.84 for a period of 15 years at 3.0%, first payment of \$3,269.18, including accrued interest, due April 1, 2006.	147,390		4,570	142,820
	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>-</u>
	<u>\$ 242,391</u>	<u>\$ -</u>	<u>\$ 30,993</u>	<u>\$ 211,398</u>

REVENUE BONDS:

\$250,000 Water and Sewer System Loan dated December 20, 1971, due in annual principal installments of \$6,000 to \$16,000 through January 1, 2006; interest at 5%.

Maturities of long-term debt are as follows:

Year Ending	Amount
September 30, 2007	18,895
2008	19,548
2009	20,224
2010	20,923
2011	21,646
Thereafter	110,162
	<u>\$ 211,398</u>

See accompanying accountant's report.

**TOWN OF LIBERTY
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
YEAR ENDED SEPTEMBER 30, 2006**

NAME	POSITION	COMPANY	BOND
Shawn Felder	Tax Collector	Old Republic	\$ 10,000.00
Shawn Felder	Town Clerk	Old Republic	\$ 50,000.00
Sandra Wall	Deputy Clerk	Old Republic	\$ 50,000.00
Shannon Tarver	Chief of Police	Great River	\$ 50,000.00
Lenora Morgan	Alderman	Ms Municipal Bond Program	\$ 10,000.00
Aubrey Blalock	Alderman	Ms Municipal Bond Program	\$ 10,000.00
Carolyn Cruise	Alderman	Ms Municipal Bond Program	\$ 10,000.00
Paul Picard	Alderman	Ms Municipal Bond Program	\$ 10,000.00
Charolette Canova	Alderman	Ms Municipal Bond Program	\$ 10,000.00
Richard Stratton	Mayor	CRS	\$ 50,000.00
Aaron Nathaniel Toney	Police Officer	Union	\$ 25,000.00
Anthony B. Reeves	Police Officer	Old Republic	\$ 25,000.00
David H. Dickinson	Police Officer	Old Republic	\$ 25,000.00

See accompanying accountant's report.