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**FINANCIAL REPORT**

**TOWN OF MANTACHIE, MISSISSIPPI**

**Year Ended September 30, 2006**

**RECEIVED**  
**OCT 09 2007**  
**STATE AUDITOR'S OFFICE**

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
Town of Mantachie, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of September 30, 2006, and for the year then ended, which collectively comprise the Town's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mantachie, Mississippi's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

The Town of Mantachie, Mississippi does not maintain complete and adequate subsidiary records documenting the existence, completeness and valuation of the fixed assets included in the governmental activities or the business-type activities. Due to the lack of adequate subsidiary records, we were unable to satisfy ourselves as to the fair presentation of the fixed assets reported in the governmental activities or the business-type activities of the Town of Mantachie, Mississippi at September 30, 2006.

In our opinion, except for the fact that many fixed assets have not been reported as referred to in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi as of September 30, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 12, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2007, on our consideration of the Town of Mantachie, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

In connection with our examination, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
August 3, 2007

# **TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Required Supplemental Information for the Year Ended September 30, 2006**

This section of the Town of Mantachie's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2006. The information contained in this Management Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The Town has adopted the provisions of Governmental Auditing Standards Board Statements No. 34, No. 37, No. 38, and Interpretation No. 6 in the year ended September 30, 2004.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,095,384. Of this amount, \$408,766 may be used to meet the Town of Mantachie's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Mantachie's governmental funds reported combined ending fund balances of \$1,159,650, an increase of \$23,330 in comparison to the prior year. Approximately 18% of the combined fund balances, \$209,207 is considered unreserved and is available for spending at the Town of Mantachie discretion.
- The Town of Mantachie's total debt is \$624,127.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Town of Mantachie.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town of Mantachie's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town of Mantachie's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The Town of Mantachie has two Governmental Fund types: the General and Special Revenue.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water and Sewer System funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

# TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the Town of Mantachie's financial statements, including the portion of the Town of Mantachie they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

### Major Features of the Town of Mantachie's Government-wide and Fund Financial Statements:

	Government-wide Statements	<u>Fund Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire Town Government (except fiduciary funds) and the Town's component units.	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the Town operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net assets; statement of activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets' Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

# TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## Government-wide Statements

The government-wide statements report information about the Town of Mantachie as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town of Mantachie's net assets and how they have changed. Net assets—the difference between the Town of Mantachie's assets and liabilities—is one way to measure the Town of Mantachie's financial health, or position.

- Over time, increases or decreases in the Town of Mantachie's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- *Governmental activities*—Most of the Town of Mantachie's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities*—The Town of Mantachie charges fees to customers to help it cover the costs of certain services it provides. The Town of Mantachie's water and sewer systems services are included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Town of Mantachie's most significant funds—not the Town as a whole. The "fund" level is where the basic unit of financial organization and operation within the Town of Mantachie exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

# TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Mantachie has two kinds of funds:

- **Governmental funds**—most of the Town of Mantachie's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town of Mantachie's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The Town of Mantachie utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
  
- **Proprietary funds**—Services for which the Town of Mantachie charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Town has only one type of proprietary funds—enterprise funds. The Town of Mantachie's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

## **Government-wide Financial Analysis**

While Government Accounting Standards Board (GASB) Statement No. 34 requires the comparison of current and prior year government wide financial information in Management's Discussion and Analysis, it may be omitted in the first year of implementing the standard because the prior-year information is unavailable. In future years, a comparative analysis of government-wide data will be presented. Therefore, Tables A-1 through A-4 list only current year information.

Net assets may serve over time as a useful indicator of a government's financial position. The Town of Mantachie's assets exceeded liabilities by \$3,095,384 at the close of the most recent fiscal year.

## TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 56% and 58%, of the Town's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2006 and 2005, respectively. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

### Town of Mantachie's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/06	Total 9/30/05
Current and Other Assets	\$ 1,200,000	\$ 230,689	\$ 1,430,689	\$ 1,367,254
Noncurrent Assets	407,895	1,952,467	2,360,362	2,461,632
<b>Total Assets</b>	<b>1,607,895</b>	<b>2,183,156</b>	<b>3,791,051</b>	<b>3,828,886</b>
Current and Other Liabilities	17,459	43,365	60,824	40,949
Long-Term Liabilities	0	634,843	634,843	664,854
<b>Total Liabilities</b>	<b>17,459</b>	<b>678,208</b>	<b>695,667</b>	<b>705,803</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	407,895	1,328,280	1,736,175	1,810,824
Restricted	950,443	0	950,443	944,228
Unrestricted	232,098	176,668	408,766	368,031
<b>Total Net Assets</b>	<b>\$ 1,590,436</b>	<b>\$ 1,504,948</b>	<b>\$ 3,095,384</b>	<b>\$ 3,123,083</b>

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The \$232,098 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net assets of our business-type activities were \$176,668 at the end of the current fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The Town of Mantachie generally can only use these net assets to finance the continuing operations of the business type activities.

## TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Changes in net assets:** Approximately 30.58% of the Town of Mantachie's revenue comes from sales tax allocation. (See Table A-2.) This compares to 28.96% for the fiscal year ended September 30, 2005. Another 56.71% comes from fees charged for services, 5.54% from operating and capital grants and contributions, and the balance is from investment earnings and other miscellaneous receipts. This compares to 59.35% and 5.16% for the fiscal year ended September 30, 2005.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

### Changes in the Town of Mantachie's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/06	Total 9/30/05
<b>Revenues</b>				
<b>Program Revenues:</b>				
Charges for Services	\$ 89,277	\$ 248,553	\$ 337,830	\$ 337,186
Operating Grants & Contributions	33,000	0	33,000	25,888
Capital Grants & Contributions	0	0	0	3,420
<b>General Revenues:</b>				
Sales Tax Allocation	179,093	0	179,093	164,533
Investment Income	2,157	2,112	4,269	2,855
Other	41,512	0	41,512	34,212
<b>Total Revenues</b>	<b>345,039</b>	<b>250,665</b>	<b>595,704</b>	<b>568,094</b>
<b>Expenses</b>				
General Government	107,097	0	107,097	103,778
Public Safety	139,481	0	139,481	142,863
Public Works	45,945	0	45,945	45,593
Culture & Recreation	20,221	0	20,221	24,165
Water and Sewer System	0	310,659	310,659	269,007
<b>Total Expenses</b>	<b>312,744</b>	<b>310,659</b>	<b>623,403</b>	<b>585,406</b>
Excess of Revenue Over Expenses	32,295	(59,994)	(27,699)	(17,312)
Transfers	(9,690)	9,690	0	0
Increase (Decrease) in Net Assets	22,605	(50,304)	(27,699)	(17,312)
Net Assets—Beginning	1,567,831	1,555,252	3,123,083	3,140,395
<b>Net Assets—Ending</b>	<b>\$ 1,590,436</b>	<b>\$ 1,504,948</b>	<b>\$ 3,095,384</b>	<b>\$ 3,123,083</b>

# TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Governmental Activities**

Governmental activities increased the Town's net assets by \$22,605. Key elements of this increase are as follows:

The largest funding sources for the Town's governmental activities, as a percent of total revenues, are sales tax allocation (53%), charges for services (29%) and other grants & contributions (10%).

The largest expense category for the Town's governmental activities is public safety (45%).

## **Business-type Activities**

Business-type activities decreased the Town's net assets by \$50,304.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$248,553 for water and sewer system.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

**General Fund**—The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$209,207, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total fund balance represents 69% of total fund expenditures. The fund balance increased by \$17,115 during the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$950,443, which will be used for future expenditures.

**Proprietary Funds**—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$1,504,948.

## **Budgetary Highlights**

The Town's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The Town's 2005-2006 general fund operating budget did not change during the current fiscal year.

The Town has no tax millage for the 2006 fiscal year. The Town has never assessed any form of property tax on the citizens of the Town.

# TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—In accordance with GASB 34, the Town has recorded depreciation expense associated with all of its capital assets, including infrastructure. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounted to \$2,360,302, net of accumulated depreciation of \$2,113,353. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

### Town of Mantachie's Capital Assets

	Governmental Activities	Business-Type Activities	Total 9/30/06	Total 9/30/05
Land	\$ 103,606	\$ 8,000	\$ 111,606	\$ 111,606
Plant, Buildings & Improvements	298,963	3,783,688	4,082,651	4,068,483
Machinery & Equipment	161,027	105,071	266,098	244,780
Infrastructure	13,300	0	13,300	13,300
Accumulated Depreciation	(169,001)	(1,944,352)	(2,113,353)	(1,976,668)
<b>Total</b>	<b>\$ 407,895</b>	<b>\$ 1,952,407</b>	<b>\$ 2,360,302</b>	<b>\$ 2,461,501</b>

**Long-term Debt**—At year-end, the Town had \$624,127 in bonds and notes outstanding. More detailed information about the Town of Mantachie's long-term liabilities is presented in the notes to the financial statements.

**TOWN OF MANTACHIE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-4

**Town of Mantachie's Outstanding Debt**

	Governmental Activities	Business-Type Activities	Total 9/30/06	Total 9/30/05
Promissory Notes	\$ 0	\$ 624,127	\$ 624,127	\$ 650,677
<b>Total</b>	<b>\$ 0</b>	<b>\$ 624,127</b>	<b>\$ 624,127</b>	<b>\$ 650,677</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2007 budget. The total budgeted appropriations for the Town operations are \$297,500. This budget reflects a decrease of approximately \$26,500. The decrease is primarily related to capital outlay related to public safety in the prior fiscal year.

**CONTACTING THE TOWN OF MANTACHIE  
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town of Mantachie's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Mantachie's Finance Department, P.O. Box 70 Mantachie, MS 38855.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash on Deposit	\$ 186,294	\$ 152,471	\$ 338,765
Money Market, CD's	100,000	52,257	152,257
Accounts Receivable	60,838	25,961	86,799
Notes Receivable	852,868		852,868
<b>TOTAL CURRENT ASSETS</b>	<b>1,200,000</b>	<b>230,689</b>	<b>1,430,689</b>
Noncurrent Assets:			
Utility Deposits		60	60
Capital Assets:			
Land	103,606	8,000	111,606
Plant, Buildings and Improvements	298,963	3,783,688	4,082,651
Machinery and Equipment	161,027	105,071	266,098
Infrastructure	13,300		13,300
Accumulated Depreciation	(169,001)	(1,944,352)	(2,113,353)
<b>TOTAL NONCURRENT ASSETS</b>	<b>407,895</b>	<b>1,952,467</b>	<b>2,360,362</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,607,895</b>	<b>\$ 2,183,156</b>	<b>\$ 3,791,051</b>

**TOWN OF MANTACHIE, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 17,459	\$ 11,453	\$ 28,912
Current Maturities of Long-Term Debt		31,912	31,912
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,459</b>	<b>43,365</b>	<b>60,824</b>
Noncurrent Liabilities:			
Refundable Meter Deposits		42,628	42,628
Notes Payable, net of current maturities		592,215	592,215
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>634,843</b>	<b>634,843</b>
<b>TOTAL LIABILITIES</b>	<b>17,459</b>	<b>678,208</b>	<b>695,667</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	407,895	1,328,280	1,736,175
Restricted for:			
Special Revenue Projects	950,443		950,443
Unrestricted	232,098	176,668	408,766
<b>TOTAL NET ASSETS</b>	<b>\$ 1,590,436</b>	<b>\$ 1,504,948</b>	<b>\$ 3,095,384</b>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE**  
September 30, 2006

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charge for Services	Operating Grants and Contributions		Capital Grants and Contributions	Total	PRIMARY GOVERNMENT	
			Governmental Activities	Business-Type Activities			Total	
<b>PRIMARY GOVERNMENT</b>								
Government Activities:								
General Government	\$ 107,097	\$ 26,989	\$ 33,000	\$ -	\$ 59,989	\$ (107,097)	\$ -	\$ (107,097)
Public Safety	139,481	48,650	-	-	188,131	(79,492)	-	(79,492)
Public Works	45,945	13,638	-	-	59,583	2,705	-	2,705
Culture and Recreation	20,221	-	-	-	20,221	(6,583)	-	(6,583)
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>312,744</u>	<u>89,277</u>	<u>33,000</u>	<u>-</u>	<u>122,277</u>	<u>(190,467)</u>	<u>-</u>	<u>(190,467)</u>
Business-Type Activities:								
Water & Sewer System	310,659	248,553	-	-	559,212	(62,106)	-	(62,106)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>310,659</u>	<u>248,553</u>	<u>-</u>	<u>-</u>	<u>559,212</u>	<u>(62,106)</u>	<u>-</u>	<u>(62,106)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 623,403</u>	<u>\$ 337,830</u>	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ 370,830</u>	<u>\$ (190,467)</u>	<u>\$ (62,106)</u>	<u>\$ (252,573)</u>

**GENERAL REVENUES:**

Taxes:	\$	179,093	\$	179,093	\$	179,093
Sales Taxes		4,275		4,275		4,275
Licenses and Permits		21,636		21,636		21,636
In Lieu Taxes		9,255		9,255		9,255
Intergovernmental Revenues		2,157		2,157		2,157
Investment Earnings		6,346		6,346		6,346
Miscellaneous		(9,690)		(9,690)		(9,690)
Transfers (to)		-		-		-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>		<u>213,072</u>		<u>213,072</u>		<u>213,072</u>
<b>CHANGE IN NET ASSETS</b>		<u>22,605</u>		<u>(50,304)</u>		<u>(27,699)</u>
<b>NET ASSETS--BEGINNING</b>		<u>1,567,831</u>		<u>1,555,252</u>		<u>3,123,083</u>
<b>NET ASSETS--ENDING</b>		<u>\$ 1,590,436</u>		<u>\$ 1,504,948</u>		<u>\$ 3,095,384</u>

**TOWN OF MANTACHIE, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2006**

	General Fund	Home Grant Fund	Other Governmental Fund	Total Governmental Funds
<b><u>ASSETS:</u></b>				
Cash on Deposit	\$ 88,719	\$ 84,779	\$ 12,796	\$ 186,294
Money Market, CD's	100,000			100,000
Accounts Receivable	37,947			37,947
Notes Receivable		852,868		852,868
<b>TOTAL ASSETS</b>	<b>\$ 226,666</b>	<b>\$ 937,647</b>	<b>\$ 12,796</b>	<b>\$ 1,177,109</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable and Accrued Expenses	\$ 17,459			\$ 17,459
<b>TOTAL LIABILITIES</b>	<b>17,459</b>	<b>0</b>	<b>0</b>	<b>17,459</b>
<b><u>FUND BALANCES:</u></b>				
Unrestricted:				
Special Revenue Funds		937,647	12,796	950,443
Undesignated	209,207			209,207
<b>TOTAL FUND BALANCES</b>	<b>\$ 209,207</b>	<b>\$ 937,647</b>	<b>\$ 12,796</b>	<b>\$ 1,159,650</b>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
For the Year Ended September 30, 2006**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,159,650
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	407,895
Accrual of court fine revenues to qualify as financial resources.	<u>22,891</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,590,436</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

	General Fund	Home Grant Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>				
Sales and Use Taxes	\$ 179,093	\$	\$	\$ 179,093
Privilege Taxes	3,525			3,525
Licenses and Permits	750			750
In Lieu of Taxes	21,636			21,636
Intergovernmental Revenues	3,625		5,630	9,255
Garbage Services	48,650			48,650
City Park Fees and Concessions	13,638			13,638
Fines and Forfeits	24,140			24,140
Interest Revenues	1,961	176	20	2,157
Grant Income	33,000			33,000
Miscellaneous Revenues	6,346			6,346
<b>TOTAL REVENUES</b>	<u>336,364</u>	<u>176</u>	<u>5,650</u>	<u>342,190</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	104,615			104,615
Public Safety	118,341		5,611	123,952
Public Works	45,945			45,945
Culture and Recreation	13,340			13,340
Capital Projects	21,318			21,318
<b>TOTAL EXPENDITURES</b>	<u>303,559</u>	<u>0</u>	<u>5,611</u>	<u>309,170</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>32,805</u>	<u>176</u>	<u>39</u>	<u>33,020</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Debt Issued				0
Transfers (to) from Other Funds	(15,690)	0	6,000	(9,690)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(15,690)</u>	<u>0</u>	<u>6,000</u>	<u>(9,690)</u>
<b>NET CHANGE IN FUND BALANCES</b>	17,115	176	6,039	23,330
<b>FUND BALANCES - Beginning</b>	<u>192,092</u>	<u>937,471</u>	<u>6,757</u>	<u>1,136,320</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 209,207</u>	<u>\$ 937,647</u>	<u>\$ 12,796</u>	<u>\$ 1,159,650</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT  
OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended September 30, 2006**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	23,330
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		21,318
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(24,892)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		<u>2,849</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>22,605</u></u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Year Ended September 30, 2006**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Sales and Use Taxes	\$ 175,000	\$ 175,000	\$ 180,306	\$ 5,306
Licenses and Permits	2,000	2,000	4,275	2,275
In Lieu of Taxes	24,845	24,845	20,910	(3,935)
Intergovernmental Revenues	3,600	3,600	3,625	25
Charges for Services	57,400	57,400	62,288	4,888
City Park Donations	250	250	0	(250)
Fines and Forfeits	27,500	27,500	24,140	(3,360)
Interest Revenues	2,000	2,000	1,961	(39)
Grant Income	0	0	18,000	18,000
Miscellaneous Revenues	1,000	1,000	6,346	5,346
<b>TOTAL REVENUES</b>	<u>293,595</u>	<u>293,595</u>	<u>321,851</u>	<u>28,256</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	115,000	115,000	104,615	10,385
Public Safety	125,000	125,000	118,341	6,659
Public Works	46,400	46,400	45,945	455
Culture and Recreation	18,000	18,000	13,340	4,660
Capital Projects	20,000	20,000	21,318	(1,318)
<b>TOTAL EXPENDITURES</b>	<u>324,400</u>	<u>324,400</u>	<u>303,559</u>	<u>20,841</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(30,805)</u>	<u>(30,805)</u>	<u>18,292</u>	<u>49,097</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Debt Issuances			0	0
Transfers (to) from Other Funds	(6,000)	(6,000)	(15,690)	(9,690)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(6,000)</u>	<u>(6,000)</u>	<u>(15,690)</u>	<u>(9,690)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ (36,805)</u>	<u>\$ (36,805)</u>	<u>\$ 2,602</u>	<u>\$ 39,407</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**HOME GRANT FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Year Ended September 30, 2006**

	<u>Budget</u>		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Interest Revenues	\$ 90	\$ 90	\$ 176	\$ 86
Miscellaneous Revenues				0
<b>TOTAL REVENUES</b>	<u>90</u>	<u>90</u>	<u>176</u>	<u>86</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	0	0	0	0
Public Safety				
Public Works				
Culture and Recreation				
Debt Service				
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>90</u>	<u>90</u>	<u>176</u>	<u>86</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Debt Issuances				0
Transfers (to) from Other Funds				0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ 90</u>	<u>\$ 90</u>	<u>\$ 176</u>	<u>\$ 86</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF NET ASSETS-PROPRIETARY FUND**  
**September 30, 2006 and 2005**

	<b>Water and Sewer System</b>	
	<b>September 30, 2006</b>	<b>September 30, 2005</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 152,471	\$ 128,628
Money Market, CD's	52,257	50,497
Accounts Receivable	25,961	24,541
Total Current Assets	230,689	203,666
<b>FIXED ASSETS:</b>		
Water and Sewer Plant and System	3,888,759	3,874,591
Land	8,000	8,000
Less: Accumulated Depreciation and Amortization	(1,944,352)	(1,832,559)
Net Fixed Assets	1,952,407	2,050,032
<b>OTHER ASSETS:</b>		
Meter Deposits	60	60
Total Assets	\$ 2,183,156	\$ 2,253,758
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 6,085	\$ 1,198
Accrued Interest	3,301	4,313
Accrued Taxes	2,067	2,067
Current Portion of Long-term Debt	31,912	26,074
Total Current Liabilities	43,365	33,652
LONG-TERM DEBT, less current portion	592,215	624,603
REFUNDABLE METER DEPOSITS	42,628	40,251
NET ASSETS	1,504,948	1,555,252
Total Liabilities and Net Assets	\$ 2,183,156	\$ 2,253,758

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS-PROPRIETARY FUND**  
**For the fiscal year ended September 30,**

	Totals	
	2006	2005
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 248,553	\$ 244,583
Total Operating Revenues	248,553	244,583
<b><u>OPERATING EXPENSES</u></b>		
Personal Services	60,517	55,621
Contractual Services	46,310	43,030
Supplies	18,023	13,646
Other Services and Charges	39,820	33,800
Depreciation	111,793	87,215
Total Operating Expenses	276,463	233,312
Operating Income (Loss)	(27,910)	11,271
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Income	2,112	680
Grant Income	0	2,500
Interest Expense	(34,196)	(35,695)
Transfers In (Out)	9,690	5,655
Total Non Operating Revenues (Expenses)	(22,394)	(26,860)
Net Income (Loss)	(50,304)	(15,589)
Retained Earnings October 1,	1,555,252	1,570,841
Retained Earnings September 30,	\$ 1,504,948	\$ 1,555,252

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF CASH FLOWS-PROPRIETARY FUND**  
**For the year ended September 30,**

	<b>Totals</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 249,510	\$ 246,735
Cash Payments for Personal Services	(60,517)	(54,947)
Cash Payments for Contractual Services	(46,310)	(43,030)
Cash Payments for Supplies	(13,136)	(14,362)
Cash Payments for Other Services	(39,820)	(33,800)
	<u>89,727</u>	<u>100,596</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Paid on Notes	(26,550)	(24,574)
Interest Paid on Bonds and Notes Payable	(35,208)	(35,100)
Grant Funds Received	0	2,500
Fixed Asset Additions	(14,168)	2,304
	<u>(75,926)</u>	<u>(54,870)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers In (Out)	9,690	5,655
	<u>9,690</u>	<u>5,655</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Interest on Investments	2,112	680
	<u>2,112</u>	<u>680</u>
 Net Increase (Decrease) in Cash	25,603	52,061
 Cash at Beginning of Year	179,125	127,064
 Cash at End of Year	<u>\$ 204,728</u>	<u>\$ 179,125</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (27,910)	\$ 11,271
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	111,793	87,215
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,420)	344
Increase (Decrease) in Accounts Payable - Operating	4,887	(716)
Increase (Decrease) in Accrued Taxes	0	674
Increase (Decrease) in Member Deposits	2,377	1,808
	<u>89,727</u>	<u>100,596</u>
 Net Cash Provided by Operating Activities	<u>\$ 89,727</u>	<u>\$ 100,596</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Mantachie, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the Town provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

**Government-Wide and Fund Financial Statements**

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities 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.

**Fund Financial Statements**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual include sales tax and various categorical grants.

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.

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. This is a major governmental fund reported as Home Grant Fund and Fire Fund.

The Town reports the following major proprietary funds:

*The Water and Sewer Fund* – This fund is used to account for the Town's water and sewer treatment and distribution system. This fund is responsible for water delivery to the residents of the Town of Mantachie.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals 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.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

Included within the reporting entity:

*Town of Mantachie 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.

Change in Method of Accounting

Effective October 1, 2003, the Town adopted the provisions of the following standards issued by Governmental Accounting Standards Board (GASB):

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—of State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* – these statements establish new financial reporting requirements and significantly change the format and

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

content of the financial statements. The new governmental reporting model has the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

GASB Statement No. 38, *Certain Financial Statements Note Disclosures* – this statement modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* – this interpretation clarifies the application of existing standards for modified accrual recognition of certain liabilities and expenditures in governmental funds.

**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.
- (5) Between September 1st-15th the budget must be adopted.
- (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.

Further, budgets are used as management control devices in the General, Special Revenue and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the governmental fund types budget revenues on the cash basis in accordance with Mississippi law and 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.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

Cash and Investments

The Town deposits funds in the financial institutions selected by the Board of Alderman in accordance with state statutes.

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 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 authorize the Town's investments. The Town is authorized, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county, municipality or school district of this state, when such county, municipal or school district bonds have been properly approved; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of funds. For reporting purposes, certificates of deposit are classified as investments.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by funds type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the Town does not employ an encumbrance system.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES - continued**

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Business Information

The Town of Mantachie, Mississippi provides water and sewer services for customers inside the Town limits of Mantachie as well as a limited number of customers outside the Town limits. Credit is extended to all water and sewer customers.

**NOTE 2 - FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2006:

Primary Government:

	<u>Balance</u> <u>10-01-05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-06</u>
Capital Assets, not being depreciated:				
Land	\$ 103,606	\$ 0	\$ 0	\$ 103,606
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	<u>103,606</u>	<u>0</u>	<u>0</u>	<u>103,606</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	298,963	0	0	298,963
Infrastructure	13,300	0	0	13,300
Machinery and Equipment	<u>139,709</u>	<u>21,318</u>	<u>0</u>	<u>161,027</u>
Total Capital Assets being depreciated	451,972	21,318	0	473,290
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(49,730)	(9,487)	0	(59,217)
Machinery and Equipment	(85,069)	(15,405)	0	(100,474)
Infrastructure	<u>(9,310)</u>	<u>0</u>	<u>0</u>	<u>(9,310)</u>
Total Accumulated Depreciation	(144,109)	(24,892)	0	(169,001)
Total Capital Assets, depreciated, net Governmental Activities	<u>307,863</u>	<u>(3,574)</u>	<u>0</u>	<u>304,289</u>
Capital Assets, net	<u>\$ 411,469</u>	<u>\$ (3,574)</u>	<u>\$ 0</u>	<u>\$ 407,895</u>

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 2 - FIXED ASSETS - continued**

A summary of business-type capital asset activity at September 30, 2006 follows:

	<u>Balance 10-01-05</u>	<u>Additions</u>	<u>Adjustments / Disposals</u>	<u>Balance 09-30-06</u>
Capital Assets, not being depreciated:				
Land	\$ 8,000	\$ 0	\$ 0	\$ 8,000
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	8,000	0	0	8,000
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	3,769,520	14,168	0	3,783,688
Machinery and Equipment	<u>105,071</u>	<u>0</u>	<u>0</u>	<u>105,071</u>
Total Capital Assets being depreciated	3,874,591	14,168	0	3,888,759
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,728,460)	(111,226)	0	(1,839,686)
Machinery and Equipment	<u>(104,099)</u>	<u>(567)</u>	<u>0</u>	<u>(104,666)</u>
Total Accumulated Depreciation	<u>(1,832,559)</u>	<u>(111,793)</u>	<u>0</u>	<u>(1,944,352)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>2,042,032</u>	<u>(97,625)</u>	<u>0</u>	<u>1,944,407</u>
Capital Assets, net	<u>\$ 2,050,032</u>	<u>\$ (97,625)</u>	<u>\$ 0</u>	<u>\$ 1,952,407</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,482
Public Safety	15,529
Public Works	0
Culture & Recreation	<u>6,881</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 24,892</u>
 *Depreciation expense for Water and Sewer was	 <u>\$ 111,793</u>

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 3 - NOTES PAYABLE/LONG-TERM DEBT**

The following is a summary of debt transactions of the Town for the year ended September 30, 2006:

Notes Payable-Long Term Debt at 10/01/05	\$ 650,677
Notes Payable-Issued during the year	0
Notes Payable-Retired during the year	<u>(26,550)</u>
Notes Payable-Long Term Debt at 09/30/06	<u>\$ 624,127</u>

Notes Payable-Long Term Debt at September 30, 2006 is comprised of the following:

Farmers Home Administration note due in monthly payments of \$383 through March 2011; interest rate 5%	\$ 17,250
Farmers Home Administration note due in monthly payments of \$806 through May 2012; interest rate 8-5/8%	43,763
Farmers Home Administration note due in monthly payments of \$658 through August 2021; interest rate 5-7/8%	74,914
Farmers Home Administration note due in monthly payments of \$1,459 through February 2012; interest rate 5%	90,151
Farmers Home Administration note due in annual payments of \$25,000 through August 2038; interest rate 5%. Payments of interest only through August 2006. Annual payments of \$25,000 begin in August 2007.	<u>398,049</u>
	<u>\$ 624,127</u>

The annual requirements to amortize all debt outstanding as of September 30, 2006 including interest payments of \$489,659 are as follows:

<u>Year Ending September 30,</u>	<u>Proprietary Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2007	31,912	32,762
2008	33,814	30,860
2009	35,837	28,837
2010	37,988	26,686
2011	36,527	24,443
2012-2016	83,227	103,740
2017-2021	74,666	84,758
2022-2026	57,437	67,563
2027-2031	73,306	51,694

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 3 - NOTES PAYABLE/LONG-TERM DEBT - continued**

Year Ending <u>September 30,</u>	<u>Proprietary Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2032-2036	93,559	31,441
2037-2041	<u>65,854</u>	<u>6,875</u>
	<u>\$ 624,127</u>	<u>\$ 489,659</u>

**NOTE 4 - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The Town of Mantachie contributes to the Public Employee's 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 Mantachie is required to contribute at an actuarially determined rate. The current rate increased from 10.75% of annual covered payroll to 11.30%, 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 Mantachie contributions to PERS for the years ending September 30, 2006, 2005 and 2004 were \$27,033, \$26,861, and \$25,392, respectively, equal to the required contributions for each year.

**TOWN OF MANTACHIE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 5 - BUDGET / GAAP RECONCILIATION**

The major difference between the budgetary basis and the GAAP basis is:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>General Fund</u>
Budget (Cash Basis)	\$ 2,602
Increase (Decrease) Net adjustments for revenue accruals	<u>14,513</u>
GAAP Basis	<u>\$ 17,115</u>



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

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OFFICES LOCATED IN  
TUPELO, FULTON & AMORY

MEMBERS OF THE  
AICPA, MSCPA & PCPS

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

Honorable Mayor and Board of Aldermen  
Town of Mantachie, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the Town's basic primary government financial statements, and have issued our report dated August 3, 2007. The auditor's report on the primary government financial statements is qualified on the governmental activities and business-type activities because internal controls over fixed assets were not sufficient to allow us to form an opinion on the amount of fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Mantachie, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Mantachie, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1, 06-3 and 06-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06-1 and 06-3 to be a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the Town of Mantachie, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 06-1 and 06-2.

This report is intended for the information of management, Mississippi State Audit Department and other related state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, it is a matter of public record and its distribution should not be limited.

*Franks, Franks & Jarrell, P.A.*

Franks, Franks & Jarrell, P.A.  
August 3, 2007

**TOWN OF MANTACHIE, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2006**

***FINDING AND REPORTABLE CONDITION NO. 06-1:***

**Criteria:** State law requires municipalities of the State to maintain a complete fixed asset inventory listing, to properly tag all fixed assets, and to perform an annual fixed asset inventory.

**Cause of Condition:** The Town of Mantachie's internal control procedures over fixed assets have not been properly developed and implemented. During our audit testing, we noted that the Town does not maintain a fixed asset inventory system as prescribed by the Mississippi Code. The Town does not maintain a complete fixed asset listing containing items description, location, condition, and inventory tag number. Fixed asset inventory tags are not being properly used by the Town. The Town does not perform an annual fiscal inventory of fixed assets as prescribed by the Mississippi Code.

**Recommendation:** The Town should begin to develop and implement internal control policies and procedures related to fixed asset management. The Town should perform a fixed asset inventory and prepare a current fixed asset inventory listing as prescribed by state law. The Town should place inventory tags on all existing fixed assets and all fixed assets acquired by the Town in the future.

**Response:** The Town will attempt to develop and implement better internal controls over its fixed assets.

**TOWN OF MANTACHIE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2006**

***FINDING AND REPORTABLE CONDITION NO. 06-2:***

**Criteria:** State law requires municipalities of the State to ensure that all deposits in financial institutions are covered with sufficient pledged collateral or covered under the State of Mississippi sponsored pool.

**Cause of Condition:** The Town of Mantachie, Mississippi is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. During our audit testing, we noted that the Town renewed a certificate of deposit that the financial institution did not identify as public funds. When the certificate of deposit was renewed, a new account number was created that was omitted from the State Treasurer-sponsored collateral pool as of September 30, 2006. The Town also opened a new bank account with another financial institution and this account was also omitted from the State Treasurer-sponsored collateral pool as of September 30, 2006.

**Recommendation:** The Town should comply with its own policies and procedures relating to the collateralization of public funds placed with financial institutions. The Town should reconcile on a quarterly basis the State Treasurer reports with the depository accounts of the Town to ensure that all new or renewed accounts are added to the State Treasurer reports. Additionally, the Town should communicate in writing with the financial institution that any newly opened or renewed accounts are public funds. The auditor recognizes that the risk of loss from this oversight is minimal; however, State law requires that the Town collateralize its funds.

**Response:** In the future, the Town will obtain written confirmations from financial institutions that all accounts will be listed as public funds and reported to the State Treasurer-sponsored collateral pool.

**TOWN OF MANTACHIE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2006**

***FINDING AND REPORTABLE CONDITION NO. 06-3:***

**Criteria:** A valuable element of the internal control structure is proper segregation of duties of accounting personnel.

**Cause of Condition:** The Town of Mantachie's internal control structure does not provide for adequate segregation of duties due to the Town's small size and small number of employees.

**Recommendation:** The Town's mayor and board should continue to be actively involved in a supervisory position in the Town's operations.

**Response:** The Town will attempt to maximize segregation of duties whenever possible. The mayor and board will remain actively involved in a supervisory position over the Town's operations.

**TOWN OF MANTACHIE, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2006**

***FINDING AND REPORTABLE CONDITION NO. 06-4:***

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

**Cause of Condition:** The Town's system for accounting for the transactions of the Town related to court fines and assessments should continue to be improved and controls strengthened. During our audit testing, we noted an instance of an unaccounted for ticket book that contained pre-numbered uniform traffic tickets. There is a possibility that the misplaced ticket book may contain issued citations that have not been entered into the Town's records. We also noted instances were the case jackets and documentation could not be located for tickets selected for testing. Furthermore, the court fine receivable listing provided by the Town do not reflect all outstanding amounts due on accounts.

**Recommendation:** The Town should take necessary steps to continue to improve the system for accounting for court fines and collections. The Town should ensure that one complete system is maintained with all fines and collections posted. The Town should ensure all efforts are made to collect the large amount of outstanding court fines. The Town should continue to strengthen controls for accountability for the pre-numbered ticket books.

**Response:** The Town will implement adequate internal controls over the processing of court fines and assessments of the Town. The Town will ensure compliance with internal controls and State laws.

- \* - Finding No. 06-1 is considered a reportable condition, material weakness and an instance of noncompliance with state laws.
- \* - Finding No. 06-2 IS considered an instance of noncompliance with state laws.
- \* - Finding No. 06-3 is considered a reportable condition and a material weakness.
- \* - Finding No. 06-4 is considered a reportable condition.
- \* - Findings No. 06-1and 06-3 were also prior year findings.