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STATE OF MISSISSIPPI  
FEB 13 2008  
STATE AUDITOR'S OFFICE

**TOWN OF PACE, MISSISSIPPI  
GENERAL GOVERNMENT**

**AUDIT REPORT**

\* \* \* \*

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**TOWN OF PACE, MISSISSIPPI  
GENERAL GOVERNMENT**

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**ERIC LOVE**  
**CERTIFIED PUBLIC ACCOUNTANT**

1101 ANONA STREET  
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TELEPHONE (334) 727-0981 FAX (334) 727-9647

**SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)**

February 1, 2008

The Mayor and Board of Aldermen  
TOWN OF PACE, MISSISSIPPI  
Pace, Mississippi 38764

I have applied certain agreed-upon procedures, as discusses below, to the accounting records of the Town of Pace, Mississippi, as of September 30, 2007, 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). It is understood that the report is solely for the use of the governing body of the Town of Pace, Mississippi, and the Office of the State Auditor and should not be used for any other purpose. My procedures are as follows:

A. I reconciled cash on deposit with State Bank & Trust Company to balances in the respective accounts. I was able to obtained confirmation on the accounts of the balances from the bank and it appears that all funds are properly insured and collateralized.

<u>FUND</u>	<u>Balance Per Town Records</u>
General:	
Operating	\$ 77,758.48
Real Estate Account	26,970.71
Petty Cash Fund	123.62
Payroll Account	1,123.11
Crime Prevention Program	4,030.43
Park Recreation and Beautification	985.02
Agriculture Services Escrow	17,465.37
General Fund Certificate of Deposits	21,790.08
Enterprise Fund:	
Fire Protection	9,810.02
Water - O & M	37,973.40
Reserve Bond Depreciation	15,309.92
Water Deposit Fund	<u>8,656.64</u>
Total	\$ <u>222,006.80</u>

B. The Town held no securities for investments and had no investment transactions during the year.

**SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)**  
 (Continued)

C. I performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:

- a. Verify use of certified county assessment rolls and trace levies to the governing body minutes;
- b. Examined uncollected taxes for proper handling, including tax sales;
- c. Traced distribution of taxes collected to proper funds; and
- d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

D. We obtained a statement of payments made by the State of Finance and Administration to the municipality. Payments indicated were traced to deposits to the respective bank accounts and recorded properly.

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Fire Protection	Enterprise	\$ 1,722.53
General Municipal Aid	General	189.73
Gasoline Tax	General	955.31
Homestead Exemption	General	7,858.79
Payment In Lieu of Taxes	General	2,476.46
Sales Tax Allocation	General	9,875.44
Other Aid To Municipalities	General	<u>26,937.90</u>
<b>Total</b>		<b>\$ <u>50,016.16</u></b>

E. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was examined for compliance with purchasing requirements set forth in Section 31-7-1, 31-7-13, 31-7-49, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of items	19
Dollar value of items	\$ 30,405.17

We found the municipality's purchase procedures to be in agreement with the requirements of the above mentioned sections except as follows:

F. I have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements.

The Mayor and Board of Aldermen  
February 1, 2008  
Page Three

**SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)**  
(Continued)

Because the above procedures do not constitute an audit in accordance with auditing standards generally accepted in the United States of America, I do not express an opinion on any specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matter came to my attention that caused us to believe that the items specified in Paragraphs A and B should be adjusted. Had I performed additional procedures or had I performed an audit in accordance with auditing standards generally accepted in the United States of America, matters might have come to my attention that would have been reported to you. This report should not be associated with the financial statement of the Town of Pace, Mississippi for the year ended September 30, 2007.

Eric Love, CPA  
*Eric Love*  
Tuskegee, Alabama

**ERIC LOVE  
CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

The Mayor and Board of Aldermen  
TOWN OF PACE, MISSISSIPPI  
Pace, Mississippi 38764

I have audited the accompanying Combined Statement of Receipts and Disbursements (All Funds), Schedule of Long-Term Debt, and Schedule of Surety Bonds for the Town Officials of the Town of Pace, Mississippi, for the year ended September 30, 2007. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my 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 I 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 general purpose financial statement presentation. I believe that our audit provides a reasonable basis for our opinion.

As described in Note 1C, the financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of the Town of Pace, Mississippi for the year ended September 30, 2007, on the basis of accounting described in Note 1C.

In accordance with Government Auditing Standards, I have also issue my report dated February 1, 2008 on our consideration of the Town of Pace, Mississippi's internal control over financial reporting and our tests of its compliance of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the resulting of that test, 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 considered in assessing the results of my audit.

The Mayor and Board of Aldermen  
April 27, 2007  
Page Two

**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

My audit was made for the purpose of forming an opinion on the cash receipts and disbursements of the Town of Pace, Mississippi taken as a whole. The accompanying supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the cash receipts and disbursements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the cash receipts and disbursements and in my opinion, is fairly stated in all material respects in relation to the cash receipts and disbursements taken as a whole.

Eric Love, CPA  
*Eric Love*  
Tuskegee, Alabama  
February 1, 2008

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

The Mayor and Board of Aldermen  
TOWN OF PACE, MISSISSIPPI  
Pace, Mississippi 38764

I have audited the financial statements of Town of Pace, Mississippi as of and for the year ended September 30, 2007, and have issued our report thereon dated February 1, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and 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 my audit, I considered the Town of Pace, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I 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 Pace, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and response as item 98-1.

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 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. My 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 all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

The Mayor and Board of Aldermen  
February 1, 2008  
Page Two

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Pace, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eric Love, CPA  
*Eric Love*  
Tuskegee, Alabama  
February 1, 2008

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**REPORT ON COMPLIANCE WITH  
THE STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDIT REQUIREMENTS  
AS SET FORTH IN THE MUNICIPAL COMPLIANCE QUESTIONNAIRE**

The Mayor and Board of Aldermen  
TOWN OF PACE, MISSISSIPPI  
Pace, Mississippi 38764

I have audited the combined statement of cash receipts and disbursements of the Town of Pace, Mississippi, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 1, 2008. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the financial statement disclosed no material instances of noncompliance with state laws and regulations.

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

Eric Love, CPA  
*Eric Love*  
Tuskegee, Alabama  
February 1, 2008

TOWN OF PACE, MISSISSIPPI

COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
For the Fiscal Year Ended September 30, 2007

	General Fund	Special Revenue Fund	Enterprise Fund	Total
<b>Revenue Receipts:</b>				
General Property Taxes	\$ 101,055	\$ -	\$ 1,940	\$ 102,995
Penalties and Interest on				
Delinquent Taxes	3,176	-	-	3,176
Licenses and Permits	830	-	-	830
Franchise Taxes on				
Utilities	8,561	-	-	8,561
<b>Stated Shared Revenues:</b>				
Grant Revenue	-	23,223	-	23,223
General Municipal Aid	190	-	-	190
Fire Protection	-	-	1,723	1,723
Payment In Lieu of Taxes	2,476	-	-	2,476
Gasoline Tax	955	-	-	955
Other Aid In Municipalities	3,715	-	-	3,715
Sales Tax	9,875	-	-	9,875
<b>Charges for Services</b>				
Water Utility	-	-	61,445	61,445
Fines and Forfeits	995	-	-	995
Garbage Collections	-	-	14,415	14,415
Miscellaneous	2,426	-	-	2,426
<b>Total Revenue Receipts</b>	<b>134,255</b>	<b>23,223</b>	<b>79,523</b>	<b>237,001</b>
<b>Other Receipts:</b>				
Transfers	-	-	-	-
<b>Total Receipts</b>	<b>134,255</b>	<b>23,223</b>	<b>79,523</b>	<b>237,001</b>
<b>Beginning Cash Balance</b>	<b>131,273</b>	<b>-</b>	<b>87,320</b>	<b>218,593</b>
<b>Total Amount To Account For</b>	<b>\$ 265,528</b>	<b>\$ 23,223</b>	<b>\$ 166,843</b>	<b>\$ 455,594</b>

**TOWN OF PACE, MISSISSIPPI**

**COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
For the Fiscal Year Ended September 30, 2007**

	General Fund	Special Revenue Fund	Enterprise Fund	Total
<b>Operating Disbursements:</b>				
General Government	\$ 115,281	\$ -	\$ -	\$ 115,281
Enterprise Fund	-	-	79,776	79,776
Non - Departmental	-	23,223	-	23,223
Interest on Bonds & Note	-	-	4,878	4,878
	<u>115,281</u>	<u>23,223</u>	<u>84,654</u>	<u>223,158</u>
<b>Total Operating Disbursements</b>				
<b>Other Disbursements:</b>				
Bond & Note Retirement	-	-	10,429	10,429
Transfers	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,429</u>	<u>10,429</u>
<b>Total Other Disbursements</b>				
	<u>-</u>	<u>-</u>	<u>10,429</u>	<u>10,429</u>
<b>Total Disbursements</b>	<u>115,281</u>	<u>23,223</u>	<u>95,083</u>	<u>233,587</u>
<b>Ending Cash Balance</b>	<u>150,247</u>	<u>-</u>	<u>71,760</u>	<u>222,007</u>
<b>Total Amount Accounted For</b>	<u>\$ 265,528</u>	<u>\$ 23,223</u>	<u>\$ 166,843</u>	<u>\$ 455,594</u>

**The Notes are an Integral Part to the Financial Statement**

**TOWN OF PACE, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENT**

**1. Summary of Significant Accounting Policies**

The Town of Pace, Mississippi, operates under a Mayor and Board of Aldermen form of government and provides the following services:

General administrative services, public safety (police department), care and maintenance of public property, care and maintenance of streets and structures, health and sanitation services, and operation of a water and sewer department.

The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The reporting entity consists of and includes all funds that are covered by the oversight responsibility of the Board of Aldermen. There are no funds excluded from the reporting entity which are under the control of the Board of Aldermen. The reporting entity is not a component unit of another entity nor does the reporting entity include any component units.

**B. Fund Accounting**

The accounting system is organized into three Governmental Fund Types and a Proprietary Fund. Each of the Funds is considered as a separate accounting entity that maintains a separate set of accounts that comprise its assets, liabilities, cash balance, and receipts and disbursements, as appropriate.

**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 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 specific purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the receipts and disbursements associated with construction and acquisition of major capital facilities and additions.

**TOWN OF PACE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**Proprietary Fund**

**Enterprise Fund - The Enterprise Fund is used to account for operations of the Water Department, which is operated similar to a private business enterprise. The cost of this fund is recovered primarily through user charges.**

**C. Basis of Accounting**

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

**D. Investments**

**Investments of the Town of Pace are limited to deposits of surplus cash into Certificates of Deposit at local financial institutions or deposits into Passbook Savings Accounts.**

**E. Employee Leave**

**Accumulated unpaid vacation, sick pay, and other employee benefits are not accrued when incurred.**

**F. Grant Revenues**

**Revenues from federal, state and other grants, the purpose for which to fund specific Town expenditures, are recognized at the time the specific grant is received or when the Town has expended funds for which it is entitled to reimbursement for under any such grants.**

**TOWN OF PACE, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENT  
(Continued)**

**2. Property Taxes**

Property Taxes attach as an enforceable lien on property as of January 1st. Taxes are levied as of January 1st and payable on or before February 1st. The Town bills and collects its own property taxes, except for the personal auto taxes that are collected and remitted to the Town by the Bolivar County Tax Collector. The millage rate for the Town was 88 mills; broken down 85 mills for general fund, 2 mills for the fire protection and 1 mill for park and recreation.

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.

**3. Report Classifications**

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

**4. Deposits With Financial Institutions**

As of September 30, 2007, all deposits at the local bank were properly insured and/or collateralized with securities held by the Town.

**5. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Group. These plans are sponsored by the Mississippi Municipal Association and are composed of member municipalities within the state.

The plans are self-insured with all claims and expenses paid out of premiums paid to the plan. The members are jointly and severally liable for any expenditures beyond the premium base. There are no anticipated assessments nor dividends at the date of this report.

TOWN OF PACE, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT  
For the Fiscal Year Ended September 30, 2007

	<u>Balance</u> <u>10/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/2007</u>
Notes Payable - RD	\$ 45,189	\$ -	\$ 4,801	\$ 40,388
Notes Payable - RD	<u>57,119</u>	<u>-</u>	<u>5,628</u>	<u>51,491</u>
	<u>\$ 102,308</u>	<u>\$ -</u>	<u>\$ 10,429</u>	<u>\$ 91,879</u>

**TOWN OF PACE, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS  
Fiscal Year Ended September 30, 2007**

<u>Name of Company</u>	<u>Person Covered</u>	<u>Amount</u>
MS Municipal Bond Program	Mayor	\$ 150,000
MS Municipal Bond Program	Clerk	\$ 150,000
MS Municipal Bond Program	Police Chief	\$ 50,000
MS Municipal Bond Program	Alderspersons	\$ 15,000/each

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**REPORT ON FINDINGS AND RECOMMENDATIONS**

The Mayor and Board of Aldermen  
TOWN OF PACE, MISSISSIPPI  
Pace, Mississippi 38764

**Separation of Duties**

**Finding**

The small size of the Town's office staff limits the extent of separation of duties, however, the objective is that no one person should have access to both physical assets and the related accounting records or to all phase of a transaction.

**Recommendations:**

1. Good internal control requires that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction.
2. Management should design and adopt definitions of responsibilities and authority assigned to specific individuals.

This report is intended for information of the audit committee, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

Eric Love, CPA  
*Eric Love*  
Tuskegee, Alabama  
February 1, 2008

**Mae Rosie Williams,  
Mayor**

**Rachel Rankin,  
Town Clerk**

**Board of Aldermen:  
Johnny F. Bunting Sr.  
Linda W. Hall  
Meredith Hall  
Beverly Sholly  
Willie B. Toney**

**TOWN OF PACE  
POST OFFICE BOX 216  
PACE, MISSISSIPPI 38764  
662-723-6292 PHONE  
662-723-6198 FAX**

March 1, 2005

Eric Love  
101 Anona Street  
Tuskegee Institute, AL 36088-2959

Dear Mr. Love:

The Town of Pace, as all small towns in the Delta, faces financial woes on a constant basis. However, when it comes to the management of our financial records, we make every effort to ensure that fraudulent acts do not take place.

The Town of Pace financial administration staff consists of a Town Clerk and Deputy Clerk and myself (the Mayor). The Clerks are both part-time employees and so am I. I assist the clerks on a daily basis to ensure that our internal control is sufficient and accurate. Both clerks report to work at different hours (time slots) during the day.

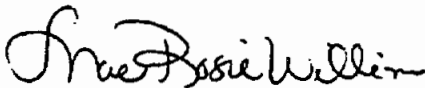
For example, if the Town Clerk reports to work in the morning, she collects monies and manages the office (clerical duties). When the Deputy Clerks reports in the evenings, she checks behind the Town Clerk and fill out the deposits. When I come in, I check behind both clerks and I take the deposits to the bank. This way, we have a system of check and balance in our office.

Moreover, the Town Clerk reconciles the bank statements. The Deputy Clerk reconciles the ledger books. I check both to make sure that the balances match per month. Therefore, you see, we are making every attempt to comply with separation of duties and internal control guidelines.

The Town Clerk prepares the docket from invoices received during the month. The Board approves the docket at the monthly meeting. The Deputy Clerk types the checks to the vendors the following day. The Town Clerk and I sign the checks and the Town Clerk mails them.

Unfortunately, due to budget constraints, the Town of Pace cannot afford to hire any more staff. I hope that this letter will clarify our position as well as address your concerns (findings) as it relates to the separation of duties and the internal control of our staff. Please make this letter part of the Town of Pace response to your audit findings.

Humbly Submitted,



**Mae Rosie Williams, Mayor  
Town of Pace**