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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2008

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

INDEPENDENT AUDITOR'S REPORT

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

Honorable Mayor and Board of Aldermen
Town of Byhalia, 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 Byhalia, Mississippi as of September 30, 2008, and for the year then ended, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Byhalia, Mississippi's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. 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 opinion.

The Town of Byhalia, 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 Byhalia, Mississippi at September 30, 2008.

Also, the Town of Byhalia, Mississippi does not maintain subsidiary records on procedures related to inventories. Due to lack of adequate subsidiary records and procedures, we were unable to satisfy ourselves as to the fair presentation of inventories.

In our opinion, except for the fact that some fixed assets may not be reported and the lack of adequate subsidiary records and procedures over inventories as referred to in the preceding two paragraphs been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Byhalia, Mississippi as of September 30, 2008, and the changes in its net assets and its cash flows 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 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. 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 our report dated July 8, 2010, on our consideration of the Town of Byhalia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Byhalia, Mississippi's basic financial statements. The combining and individual fund financial statements and schedules and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Byhalia, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
July 8, 2010

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2008

This section of the Town of Byhalia's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2008. Please read it in conjunction with the Town of Byhalia financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at September 30, 2008 and 2007 by \$4,992,541 and \$4,605,063. Of this amount, \$380,315 and \$111,064 may be used to meet the Town of Byhalia's ongoing obligations to citizens and creditors.
- As of September 30, 2008 and 2007, the Town of Byhalia governmental funds reported combined ending fund balances of \$200,906 and \$46,401, an increase of \$143,716 and a decrease of \$164,833 in comparison to the prior years. Approximately 100% of the combined fund balances, \$200,906 and \$46,401 is considered unreserved and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt as of September 30, 2008 and 2007 was \$2,302,121 and \$2,495,451. Debt in the amount of \$255,301 and \$275,797 was issued during the years ended September 30, 2008 and 2007. Debt in the amount of \$448,631 and \$330,985 was repaid during the year ended September 30, 2008 and 2007.

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 types of statements that present different views of the Town of Byhalia.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town of Byhalia's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town of Byhalia'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 Byhalia 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, Sewer and Gas 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 BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the Town of Byhalia's financial statements, including the portion of the Town of Byhalia 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 Byhalia's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		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 BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

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

- Over time, increases or decreases in the Town of Byhalia's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town of Byhalia, the reader should consider additional non-financial factors such as changes in the Town of Byhalia's property tax base.
- *Governmental activities* –Most of the Town of Byhalia'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 Byhalia charges fees to customers to help it cover the costs of certain services it provides. The Town of Byhalia's water, sewer and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town of Byhalia'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 Byhalia 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 BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Byhalia has two types of funds:

- **Governmental funds**—most of the Town of Byhalia'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 Byhalia'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 Byhalia utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the Town of Byhalia 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 Byhalia'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 Statement of Fund Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Byhalia's assets exceeded liabilities by \$4,992,541 at the close of the most recent fiscal year, compared to \$4,605,063 in the prior year.

A large portion, 92 percent and 98 percent, 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. 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.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

Town of Byhalia's Net Assets (000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 869	\$ 848	\$ 967	\$ 969	\$ 1,836	\$ 1,817
Non-current Assets	2,483	2,367	4,434	4,625	6,917	6,992
Total Assets	3,352	3,215	5,401	5,594	8,753	8,809
Current and Other Liabilities	624	758	1,127	1,219	1,751	1,977
Long-Term Liabilities	937	1,013	1,073	1,213	2,010	2,226
Total Liabilities	1,561	1,771	2,200	2,432	3,761	4,203
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,431	1,246	3,181	3,248	4,612	4,494
Unrestricted	360	198	20	(86)	380	112
Total Net Assets	\$ 1,791	\$ 1,444	\$ 3,201	\$ 3,162	\$ 4,992	\$ 4,606

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The \$380,315 and \$111,064 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 \$20,205 at the end of the current fiscal year, and had a deficit of \$86,712 at the end of the prior fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The Town of Byhalia generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets: Approximately 10.12 percent and 5.84 percent of the Town of Byhalia's revenue comes from property taxes, with 24.35 percent and 17.42 percent of all revenue coming from some type of tax for the years ended September 30, 2008 and 2007. (See Table A-2.) Another 63.35 percent and 56.32 percent comes from fees charged for services, 3.04 percent and 18.70 percent from operating and capital grants and contributions and the balance is from investment earnings and other miscellaneous receipts.

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

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Changes in the Town of Byhalia's Net Assets
(000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 224	\$ 184	\$ 2,646	\$ 2,812	\$ 2,870	\$ 2,996
Operating Grants & Contributions	0	0	0	0	0	0
General Revenues:						
Property Taxes	458	310	0	0	458	310
Other Taxes	643	616	0	0	643	616
Capital Grants	137	847	0	148	137	995
Intergovernmental Revenues	322	316	0	0	322	316
Investment Income	3	1	1	1	4	2
Other	93	86	0	0	93	86
Total Revenues	1,880	2,360	2,647	2,960	4,527	5,321
Expenses						
General Government	183	360	0	0	183	360
Public Safety	994	1,071	0	0	994	1,071
Public Works	286	292	0	0	286	292
Culture & Recreation	5	28	0	0	5	28
Debt Service	330	43	0	0	330	43
Water, Sewer, & Gas System			2,343	2,728	2,343	2,728
Total Expenses	1,798	1,795	2,343	2,728	4,141	4,523
Excess of Revenue Over Expenses	82	565	304	232	386	798
Transfers	265	6	(265)	(6)	0	0
Increase (Decrease) in Net Assets	347	571	39	226	386	798
Net Assets—Beginning	1,444	873	3,162	2,936	4,606	3,808
Net Assets—Ending	\$ 1,791	\$ 1,444	\$ 3,201	\$ 3,162	\$ 4,992	\$ 4,606

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net assets by \$347,915 and \$570,788, thereby accounting for 89.79 percent and 71.65 percent of the total change in the net assets of the Town for the years ended September 30, 2008 and 2007. 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 other taxes (35%) and (26%), property taxes (24%) and (13%), intergovernmental revenues (17%) and (13%) and charges for services (12%) and (8%) for the years ended September 30, 2008 and 2007.

The largest expense category for the Town's governmental activities is public safety (55%) and (60%) for the years ended September 30, 2008 and 2007.

Business-type Activities

Business-type activities increased the Town's net assets by \$39,563 and \$225,916 for the years ended September 30, 2008 and 2007.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,646,134 and \$2,811,613 for water, sewer and gas system charges for services for the years ended September 30, 2008 and 2007.

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 most recent fiscal years ended, unreserved fund balance of the general fund was \$379,562 and \$235,846, 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 18 percent and 9 percent of total fund expenditures. The fund balance of the Town's general fund increased by \$143,716 and decreased \$172,436 for the fiscal years ended September 30, 2008 and 2007.

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. As of September 30, 2008 and 2007, the fund balance (deficit) was (\$178,656) and (\$189,445).

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 as of September 30, 2008 and 2007, totaled \$3,201,097 and \$3,161,534.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2007-08 general fund operating budget increased by approximately \$175,146 during the current fiscal year. This increase was primarily related to increases in other services and charges expenditures for general government and park and recreation.

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, 2008 and 2007, amounted to \$6,914,347 and \$6,989,451, net of accumulated depreciation of \$4,791,909 and \$4,419,704. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment and construction in progress.

Table A-3
Town of Byhalia's Capital assets
(000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 461	\$ 461	\$ 75	\$ 75	\$ 536	\$ 536
Plant, Buildings & Improvements	1,746	1,119	7,716	7,669	9,462	8,788
Machinery & Equipment	1,126	1,051	582	582	1,708	1,633
Construction in Progress	0	451	0	0	0	451
Accumulated Depreciation	(850)	(715)	(3,942)	(3,705)	(4,792)	(4,420)
Total	<u>\$ 2,483</u>	<u>\$ 2,367</u>	<u>\$ 4,431</u>	<u>\$ 4,621</u>	<u>\$ 6,914</u>	<u>\$ 6,988</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2008 and 2007, the Town had \$2,302,121 and \$2,495,451 in bonds and notes outstanding. More detailed information about the Town of Byhalia's long-term liabilities is presented in the notes to the financial statements.

Table A-4
Town of Byhalia's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bonds Payable	\$ 543,333	\$ 589,778	\$ 846,635	\$ 878,035	\$ 1,389,968	\$ 1,467,813
CAP Loans	0	0	102,124	122,096	102,124	122,096
Promissory Notes	360,909	368,237	279,228	342,340	640,137	710,577
Capital Leases Payable	<u>147,008</u>	<u>163,677</u>	<u>22,884</u>	<u>31,288</u>	<u>169,892</u>	<u>194,965</u>
	<u>\$</u>	<u>\$</u>				
Total	<u><u>1,051,250</u></u>	<u><u>1,121,692</u></u>	<u><u>\$ 1,250,871</u></u>	<u><u>\$ 1,373,759</u></u>	<u><u>\$ 2,302,121</u></u>	<u><u>\$ 2,495,451</u></u>

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 2009 budget. The total budgeted appropriations for the Town general fund operations is \$2,005,924. This budget reflects a decrease of approximately \$39,372. The decrease is primarily related to a decrease in the public safety expenditures.

CONTACTING THE TOWN OF BYHALIA 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 Byhalia 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 Byhalia's Finance Department, P.O. Box 412 Byhalia, MS 38611.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2008

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 142,448	\$ 178,617	\$ 321,065
Accounts Receivable	59,910	94,210	154,120
Court Fine Receivables	138,965		138,965
Other Receivables	20,239		20,239
Due From Other Funds	508,069	694,208	1,202,277
TOTAL CURRENT ASSETS	869,631	967,035	1,836,666
Noncurrent Assets:			
Bond Issue Costs, net of amortization		2,456	2,456
Capital Assets:			
Land	461,196	75,374	536,570
Plant, Buildings and Improvements	873,168	7,715,683	8,588,851
Machinery and Equipment	1,125,572	582,477	1,708,049
Construction in Progress			-
Infrastructure	872,786		872,786
Accumulated Depreciation	(850,138)	(3,941,771)	(4,791,909)
TOTAL NONCURRENT ASSETS	2,482,584	4,434,219	6,916,803
TOTAL ASSETS	\$ 3,352,215	\$ 5,401,254	\$ 8,753,469

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 81,359	\$ 50,748	\$ 132,107
Current Maturities of Long-Term Debt	114,326	178,032	292,358
Accrued Liabilities	3,159	5,228	8,387
Due to Other Funds	425,003	777,274	1,202,277
Refundable Meter Deposits		116,036	116,036
TOTAL CURRENT LIABILITIES	623,847	1,127,318	1,751,165
Noncurrent Liabilities:			
Long-Term Debt, net of current maturities	936,924	1,072,839	2,009,763
TOTAL NONCURRENT LIABILITIES	936,924	1,072,839	2,009,763
TOTAL LIABILITIES	1,560,771	2,200,157	3,760,928
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,431,334	3,180,892	4,612,226
Restricted for:			
Special Revenue Projects			-
Unrestricted	360,110	20,205	380,315
TOTAL NET ASSETS	\$ 1,791,444	\$ 3,201,097	\$ 4,992,541

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE
September 30, 2008

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Government Activities:							
General Government	\$ 182,971	\$ 172,213	\$ -	\$ -	\$(182,971)	\$ -	\$(182,971)
Public Safety	993,941	51,597	-	-	(821,728)	-	(821,728)
Public Works	285,998	-	137,372	-	(97,029)	-	(97,029)
Culture and Recreation	5,291	-	-	-	(5,291)	-	(5,291)
Debt Service	329,640	-	-	-	(329,640)	-	(329,640)
TOTAL GOVERNMENTAL ACTIVITIES	1,797,841	223,810	137,372	-	(1,436,659)	-	(1,436,659)
Business-Type Activities:							
Water System	303,674	274,026	-	-	(29,648)	-	(29,648)
Sewer System	191,708	218,460	-	-	26,752	-	26,752
Gas System	1,847,686	2,153,648	-	-	305,962	-	305,962
TOTAL BUSINESS-TYPE ACTIVITIES	2,343,068	2,646,134	-	-	303,066	-	303,066
TOTAL PRIMARY GOVERNMENT	\$ 4,140,909	\$ 2,869,944	\$ 137,372	\$ -	\$(1,436,659)	\$ 303,066	\$(1,133,593)
GENERAL REVENUES:							
Taxes:							
Property Taxes					\$ 458,135	\$ -	\$ 458,135
Sales Taxes					583,710	-	583,710
Privilege and Franchise Taxes					59,021	-	59,021
Licenses and Permits					15,501	-	15,501
In Lieu Taxes					19,470	-	19,470
Intergovernmental Revenues					321,599	-	321,599
Grants and Contributions not Restricted to Specific Programs					-	-	-
Penalties and Late Fees					10,416	-	10,416
Investment Earnings					2,981	1,497	4,478
Gain on Sale of Assets					-	-	-
Miscellaneous Transfers					48,741	(265,000)	48,741
TOTAL GENERAL REVENUES AND TRANSFERS					1,784,574	(263,503)	1,521,071
CHANGE IN NET ASSETS					347,915	39,563	387,478
NET ASSETS--BEGINNING					1,443,529	3,161,534	4,605,063
NET ASSETS--ENDING					\$ 1,791,444	\$ 3,201,097	\$ 4,992,541

See accompanying notes to financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 90,228	\$ 52,220	\$ 142,448
Accounts Receivable	59,910		59,910
Due from Other Funds	508,069		508,069
TOTAL ASSETS	\$ 658,207	\$ 52,220	\$ 710,427
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 81,359	\$ -	\$ 81,359
Accrued Expenses	3,159		3,159
Due to Other Funds	194,127	230,876	425,003
TOTAL LIABILITIES	278,645	230,876	509,521
<u>FUND BALANCES:</u>			
Unrestricted:			
Special Revenue Funds (Deficit)		(178,656)	(178,656)
Undesignated	379,562		379,562
TOTAL FUND BALANCES	\$ 379,562	\$ (178,656)	\$ 200,906

See accompanying notes to financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2008**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	200,906
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.		2,482,584
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(1,051,250)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		20,239
Accrual of court fine revenues to qualify as financial resources.		138,965
		<hr/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,791,444</u></u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Ad Valorem Taxes	\$ 457,116	\$	\$ 457,116
Sales and Use Taxes	583,710		583,710
Privilege and Franchise Taxes	59,021		59,021
Licenses and Permits	15,501		15,501
In Lieu of Taxes	19,470		19,470
Intergovernmental Revenues	285,571	36,028	321,599
Garbage Services	51,597		51,597
Penalties and Late Fees	10,416		10,416
Fines and Forfeits	165,403		165,403
Interest Revenues	2,897	84	2,981
Sale of Land and Equipment	-		0
Sale of Cemetery Lots	7,500		7,500
Grant Income	137,372	-	137,372
Grant Matching Funds	-		0
Miscellaneous Revenues	41,241	-	41,241
TOTAL REVENUES	<u>1,836,815</u>	<u>36,112</u>	<u>1,872,927</u>
EXPENDITURES:			
Current:			
General Government	596,740		596,740
Public Safety	978,400	8,676	987,076
Public Works	283,375		283,375
Culture and Recreation	5,291		5,291
Debt Service	302,993	26,647	329,640
TOTAL EXPENDITURES	<u>2,166,799</u>	<u>35,323</u>	<u>2,202,122</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(329,984)</u>	<u>789</u>	<u>(329,195)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	218,700	-	218,700
Transfers (to) from Other Funds	255,000	10,000	265,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>473,700</u>	<u>10,000</u>	<u>483,700</u>
NET CHANGE IN FUND BALANCES	143,716	10,789	154,505
FUND BALANCES - Beginning	<u>235,846</u>	<u>(189,445)</u>	<u>46,401</u>
FUND BALANCES - Ending	<u>\$ 379,562</u>	<u>\$ (178,656)</u>	<u>\$ 200,906</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, 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, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	154,505
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.		250,534
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.		(135,395)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		6,810
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		1,019
Proceeds from the disposition of assets is reported as income in the Governmental Funds. There was a gain on the sale of the land, therefore, only the gain is reported as income in the Government-Wide Statement of Activities and Changes in Net Assets.		-
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.		
Repayment of long - term debt		289,142
Proceeds from issuance of long - term debt		(218,700)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>347,915</u></u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
September 30, 2008

	Water	Sewer	Gas	Total
ASSETS				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 9,597	\$ 8,842	\$ 160,178	\$ 178,617
Due From Other Funds	606,990	8,936	78,282	694,208
Accounts Receivable	20,029	20,824	53,357	94,210
Total Current Assets	636,616	38,602	291,817	967,035
<u>Fixed Assets</u>				
Water, Sewer, and Gas System, Buildings, Vehicles and Equipment	2,813,918	3,408,072	2,076,170	8,298,160
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	(1,522,830)	(1,419,325)	(999,616)	(3,941,771)
Net Fixed Assets	1,298,822	2,045,387	1,087,554	4,431,763
<u>Other Assets</u>				
Bond Issue Cost, net of amortization	2,456	0	0	2,456
Total Other Assets	2,456	0	0	2,456
TOTAL ASSETS	\$ 1,937,894	\$ 2,083,989	\$ 1,379,371	\$ 5,401,254
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts Payable	\$ 0	\$ 1,119	\$ 49,629	\$ 50,748
Due to Other Funds	14,515	368,714	394,045	777,274
Refundable Meter Deposits	52,062	0	63,974	116,036
Accrued Liabilities	2,752	(1,171)	3,647	5,228
Notes, Bonds and Capital Leases Payable - Within One Year	8,590	86,558	82,884	178,032
Total Current Liabilities	77,919	455,220	594,179	1,127,318
<u>Long-Term Debt</u>				
Notes, Bonds and Capital Leases Payable Less Current Portion	81,444	294,794	696,601	1,072,839
<u>Net Assets</u>				
Invested in Capital Assets, net of related debt	1,208,788	1,664,035	308,069	3,180,892
Unrestricted Net Assets (Deficit)	569,743	(330,060)	(219,478)	20,205
Total Net Assets	1,778,531	1,333,975	88,591	3,201,097
TOTAL LIABILITIES AND NET ASSETS	\$ 1,937,894	\$ 2,083,989	\$ 1,379,371	\$ 5,401,254

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For The Year ended September 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 257,576	\$ 201,369	\$ 2,103,589	\$ 2,562,534
Service Charges and Penalties	14,163	7,334	43,271	64,768
Other Receipts	2,287	9,757	6,788	18,832
Total operating revenues	<u>274,026</u>	<u>218,460</u>	<u>2,153,648</u>	<u>2,646,134</u>
Less: Gas Purchased	<u>0</u>	<u>0</u>	<u>1,435,958</u>	<u>1,435,958</u>
Net Income Before Operating Expenses	<u>274,026</u>	<u>218,460</u>	<u>717,690</u>	<u>1,210,176</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	76,045	38,814	215,613	330,472
Contractual Services	20,218	2,461	34,831	57,510
Supplies	33,108	3,360	34,718	71,186
Depreciation and Amortization	73,343	101,290	62,179	236,812
Other Services	96,103	31,159	18,896	146,158
Total operating expenses	<u>298,817</u>	<u>177,084</u>	<u>366,237</u>	<u>842,138</u>
Operating Income (Loss)	<u>(24,791)</u>	<u>41,376</u>	<u>351,453</u>	<u>368,038</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	117	128	1,252	1,497
Grant Income	0	0	0	0
Interest and Fiscal Charges	<u>(4,857)</u>	<u>(14,624)</u>	<u>(45,491)</u>	<u>(64,972)</u>
Total non-operating revenues (expenses)	<u>(4,740)</u>	<u>(14,496)</u>	<u>(44,239)</u>	<u>(63,475)</u>
<u>INCOME BEFORE OPERATING TRANSFERS</u>	<u>(29,531)</u>	<u>26,880</u>	<u>307,214</u>	<u>304,563</u>
Operating Transfers (Out)	<u>(16,000)</u>	<u>(32,000)</u>	<u>(217,000)</u>	<u>(265,000)</u>
NET INCOME (LOSS)	<u>(45,531)</u>	<u>(5,120)</u>	<u>90,214</u>	<u>39,563</u>
NET ASSETS (Deficit) - OCTOBER 1,	<u>1,824,062</u>	<u>1,339,095</u>	<u>(1,623)</u>	<u>3,161,534</u>
NET ASSETS - SEPTEMBER 30,	<u>\$ 1,778,531</u>	<u>\$ 1,333,975</u>	<u>\$ 88,591</u>	<u>\$ 3,201,097</u>

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2008

	Water	Sewer	Gas	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 286,213	\$ 220,045	\$ 2,205,899	\$ 2,712,157
Cash Payments for Gas Purchases	0	0	(1,435,958)	(1,435,958)
Cash Payments for Personal Services	(75,745)	(41,845)	(221,831)	(339,421)
Cash Payments for Contractual Services	(20,218)	(2,461)	(34,831)	(57,510)
Cash Payments for Supplies	(57,393)	(3,360)	(34,718)	(95,471)
Cash Payments for Other Services	(96,103)	(33,256)	(73,813)	(203,172)
Net Cash Provided By Operating Activities	36,754	139,123	404,748	580,625
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating Transfers - In from (Out) to Other Funds	(30,736)	(39,000)	(134,002)	(203,738)
Net Cash Flows Provided By (Used In)	(30,736)	(39,000)	(134,002)	(203,738)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Fixed Assets	(893)	0	(45,676)	(46,569)
Principal Paid on Bonds and Notes Payable	(8,002)	(83,083)	(68,404)	(159,489)
Proceeds from Capital Lease	0	0	36,601	36,601
Contributed Capital Received - Grants	0	0	0	0
Interest Paid on Bonds and Notes Payable	(4,857)	(14,624)	(45,491)	(64,972)
Net Cash (Used In) Capital Financing Activities	(13,752)	(97,707)	(122,970)	(234,429)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on Investments	117	128	1,252	1,497
Net Cash Provided By Investing Activities	117	128	1,252	1,497
NET INCREASE (DECREASE) IN CASH	(7,617)	2,544	149,028	143,955
CASH, OCTOBER 1	17,214	6,298	11,150	34,662
CASH, SEPTEMBER 30	\$ 9,597	\$ 8,842	\$ 160,178	\$ 178,617
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ (24,791)	\$ 41,376	\$ 351,453	\$ 368,038
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities				
Depreciation	73,343	101,290	62,179	236,812
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	10,711	1,585	51,086	63,382
Increase (Decrease) in Accounts Payable - operating activities	(24,285)	(2,097)	(54,917)	(81,299)
Increase (Decrease) in Accrued Expenses - operating activities	300	(3,031)	(6,218)	(8,949)
Increase in Customer Deposits	1,476	0	1,165	2,641
Total Adjustments	61,545	97,747	53,295	212,587
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 36,754	\$ 139,123	\$ 404,748	\$ 580,625

See accompanying notes to financial statements.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - Summary of Significant Accounting Policies

The Town of Byhalia, Mississippi was incorporated in 1873. The Town operates under a Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), streets, sanitation, culture, recreation, public improvements, planning and zoning, utilities, 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 BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT 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 and fiduciary 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. Property taxes are recognized as revenues in the year for which they are levied. 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 in addition to general property taxes include sales tax and various categorical grants.

The Town reports the following major 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.

Additionally the Town reports the following governmental fund types:

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, all of the special revenue funds are non-major funds.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

The Town reports the following major proprietary funds:

The Water, Sewer and Gas Funds – These funds are used to account for the Town's water and sewer treatment and distribution system as well as the gas distribution system. These funds are responsible for water and gas delivery to the residents of the Town of Byhalia.

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.

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 for the Water Fund and refuse collection charges for the Solid Waste Fund. 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.

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 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.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

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.

Due to the implementation of GASB Statement No. 34, the prior year retained earnings and contributed capital for the enterprise funds were restated to reflect the net assets.

Budgets and Budgetary Accounting

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

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - Summary of Significant Accounting Policies (continued)

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

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

Cash and Investments

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

Revenue Recognition - Property Taxes

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

The Town has an agreement with the County pursuant to which the tax collector of the County has assumed the duty and responsibility for billing and collecting all Town ad valorem taxes, including all taxes on real property, personal property and public utilities property by the Town.

The Town recognizes tax revenues upon collection of the taxes or upon collection from the county tax collector. In addition the Town makes an accrual for amounts collected by the county tax collector as of September 30 and remitted to the Town within 30 days after year end.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - Summary of Significant Accounting Policies (continued)

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the Town and are therefore a contingent liability to the general government.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Business Information

The Town of Byhalia provides gas, water, and sewer services to customers located within the Town limits of Byhalia, Mississippi as well as a limited number of customers outside the Town limits. Credit is extended to all of these customers for services.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of capital asset activity as of September 30, 2008:

Primary Government:

	<u>Balance</u> <u>10-01-07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-08</u>
Capital Assets, not being depreciated:				
Land	\$ 461,196	\$ 0	\$ 0	\$ 461,196
Construction in Progress	<u>451,049</u>	<u>0</u>	<u>(451,049)</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	912,245	0	(451,049)	461,196
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	873,168	0	0	873,168
Infrastructure	245,884	626,904	0	872,788
Machinery and Equipment	<u>1,050,893</u>	<u>74,679</u>	<u>0</u>	<u>1,125,572</u>
Total Capital Assets being depreciated	2,169,945	701,583	0	2,871,528
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(113,566)	(19,379)	0	(132,945)
Machinery and Equipment	(596,753)	(100,306)	0	(697,059)
Infrastructure	<u>(4,426)</u>	<u>(15,710)</u>	<u>0</u>	<u>(20,136)</u>
Total Accumulated Depreciation	(714,745)	(135,395)	0	(850,140)
Total Capital Assets, depreciated, net Governmental Activities	<u>1,455,200</u>	<u>566,188</u>	<u>0</u>	<u>2,021,388</u>
Capital Assets, net	<u>\$ 2,367,445</u>	<u>\$ 566,188</u>	<u>\$ (451,049)</u>	<u>\$ 2,482,584</u>

The Town 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. The Town has retroactively applied these thresholds to all general fixed assets in service at September 30, 2003. The Town has not retroactively capitalized infrastructure assets in service at September 30, 2003, the Town will record infrastructure for years after September 30, 2003. The beginning accumulated depreciation balances have been adjusted to reflect the Town's new capitalization policy.

A summary of business-type capital asset activity at September 30, 2008 follows:

	<u>Balance</u> <u>10-01-07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-08</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	75,374	0	0	75,374

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 2 - FIXED ASSETS (continued)

	<u>Balance</u> <u>10-01-07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-08</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 7,669,114	\$ 46,569	\$ 0	\$ 7,715,683
Machinery and Equipment	<u>582,477</u>	<u>0</u>	<u>0</u>	<u>582,477</u>
Total Capital Assets being depreciated	8,251,591	46,569	0	8,298,160
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(3,257,995)	(216,814)	0	(3,474,809)
Machinery and Equipment	<u>(446,964)</u>	<u>(19,998)</u>	<u>0</u>	<u>(446,964)</u>
Total Accumulated Depreciation	<u>(3,704,959)</u>	<u>(236,812)</u>	<u>0</u>	<u>(3,941,771)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>4,546,632</u>	<u>(190,243)</u>	<u>0</u>	<u>4,356,389</u>
Capital Assets, net	<u>\$ 4,622,006</u>	<u>\$ (190,243)</u>	<u>\$ 0</u>	<u>\$ 4,431,763</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	\$ 32,028
Public Safety	93,259
Public Works	10,108
Culture & Recreation	<u>0</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 135,395</u>
*Depreciation expense for Water, Sewer and Gas was	\$ 236,812

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2008:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/07	\$ 2,300,487	\$ 194,964	\$ 2,495,451
Add: Bonds and Other Long-Term Debt Acquired	216,601	38,700	255,301
Less: Bonds and Other Long-Term Debt Retired	<u>384,859</u>	<u>63,772</u>	<u>448,631</u>
Bonds and Other Long-Term Debt at 09/30/08	<u>\$ 2,132,229</u>	<u>\$ 169,892</u>	<u>\$ 2,302,121</u>

Bonds and other long-term debt at September 30, 2008 are comprised of the following issues:

Revenue Bonds:

\$1,200,000 Gas System Revenue Bond due in variable semi-annual installments through January 2017; interest at 5.5 percent	\$ 720,000
\$478,000 General Obligation Bond due in variable annual installments through December 2025; interest at 6.82 percent	449,000
\$208,600 Combined Water & Sewer System Revenue Bond due in annual installments of \$13,038 through June 2017; interest at 5 percent	<u>90,034</u>
	<u>\$ 1,259,034</u>

Notes Payable:

\$1,020,359 Note due in 233 monthly installments of \$6,305 through September 2012; interest at 3.33 percent	\$ 279,228
\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent	360,909
\$195,778 Note due in initial payment of \$70,000 and 4 annual installments of \$31,444 through December 2011; interest at 4.75 percent	94,333
\$282,138 Note due in 180 monthly installments of \$2,045 through July 2013; interest at 4 percent	<u>102,124</u>
	<u>\$ 836,594</u>

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 3 - Long-Term Debt – (continued)

Capital Leases:

Capital Lease dated March 14, 2005 due in 48 monthly installments of \$1,112 through March 2009; collateralized by computer equipment.	\$ 5,894
Capital Lease dated May 1, 2001 due in 10 annual installments of \$26,646 through May 1, 2011; collateralized by a fire truck.	73,635
Capital Lease dated April 1, 2008 due in 36 monthly installments of \$1,140 through June 2011; collateralized by police cars.	35,643
Capital lease dated September 11, 2006 due in 36 monthly installments of \$481 through September 2009; collateralized by Ford truck.	5,642
Capital lease dated July 3, 2007 due in 36 monthly installments of \$1,193 through August 2010; collateralized by police cars.	26,194
Capital Lease dated January 1, 2005 due in 48 monthly installments of \$800 through December 2008; collateralized by equipment.	<u>22,884</u>
	<u>\$ 169,892</u>

Notes Not In Repayment

\$1,710,000 Note due on September 8, 2009 bearing interest of 5.45%.	<u>\$ 36,601</u>
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There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008**

NOTE 3 - Long-Term Debt (continued)

The Annual requirements to amortize all debt outstanding as of September 30, 2008 including interest payments of \$838,803 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2009	114,326	55,087	178,032	56,415	292,358	111,502
2010	108,250	50,869	164,040	48,470	272,290	99,339
2011	95,670	47,532	173,091	41,324	268,761	88,856
2012	27,446	41,953	196,095	33,496	223,541	75,449
2013	28,883	41,516	90,441	25,566	119,324	67,082
2014 - 2018	168,708	168,638	412,571	47,886	581,279	216,524
2019 - 2023	215,092	116,727	0	0	215,092	116,727
2024 - 2028	194,125	46,851	0	0	194,125	46,851
2029 - 2033	<u>98,750</u>	<u>16,473</u>	<u>0</u>	<u>0</u>	<u>98,750</u>	<u>16,473</u>
	<u>\$ 1,051,250</u>	<u>\$ 585,646</u>	<u>\$ 1,214,270</u>	<u>\$ 253,157</u>	<u>\$ 2,265,520</u>	<u>\$ 838,803</u>

NOTE 4 - Interfund Receivables and Payable

Individual fund interfund receivable and payable balances at September 30, 2008, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 508,069	\$ 194,127
Special Revenue Fund		230,876
Enterprise Fund:		
Water, Sewer, and Gas System Fund	<u>694,208</u>	<u>777,274</u>
	<u>\$ 1,202,277</u>	<u>\$ 1,202,277</u>

NOTE 5 - Litigation

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the Town of Byhalia is required to contribute at an actuarially determined rate. The current rate increased from 11.30% of annual covered payroll to 11.85%, effective July 1, 2007. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Byhalia's contributions to PERS for the year ending September 30, 2008, 2007 and 2006 were \$121,429, \$120,056 and \$103,708 equal to the required contributions for the year.

NOTE 7 - Commitments

The Town of Byhalia has been approved for a \$1,710,000 interim financing loan from the Bank of Holly Springs. The loan will be paid off from funds received from USDA Rural Development on September 8, 2009. At September 30, 2008, the Town had drawn \$36,601 of the available funds and expects to draw the remaining funds prior to September 8, 2009.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF BYHALIA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 610,400	\$ 517,915	\$ 449,474	\$ (68,441)
Sales and Use Taxes	600,000	600,000	584,541	(15,459)
Privilege and Franchise Taxes	59,050	94,310	54,739	(39,571)
Licenses and Permits	25,000	13,000	15,501	2,501
In Lieu of Taxes	0	0	19,470	19,470
Intergovernmental Revenues	181,100	252,114	285,571	33,457
Charges for Services	45,000	45,000	51,597	6,597
Penalties and Interest	4,200	9,911	10,416	505
Fines and Forfeits	115,000	142,088	165,403	23,315
Interest Revenues	0	679	2,897	2,218
Sale of Land and Equipment	0	0	0	0
Sale of Cemetery Lots	7,000	7,500	7,500	0
Grant Income	0	76,673	137,372	60,699
Grant Matching Funds	0	0	0	0
Miscellaneous Revenues	20,000	31,406	41,241	9,835
TOTAL REVENUES	<u>1,666,750</u>	<u>1,790,596</u>	<u>1,825,722</u>	<u>35,126</u>
EXPENDITURES:				
Current:				
General Government	370,050	501,799	596,740	(94,941)
Public Safety	1,009,450	1,005,891	978,400	27,491
Public Works	337,250	295,356	283,375	11,981
Culture and Recreation	10,700	5,500	5,291	209
Debt Service	143,000	237,050	302,993	(65,943)
TOTAL EXPENDITURES	<u>1,870,450</u>	<u>2,045,596</u>	<u>2,166,799</u>	<u>(121,203)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(203,700)</u>	<u>(255,000)</u>	<u>(341,077)</u>	<u>(86,077)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuances		0	218,700	218,700
Transfers (to) from Other Funds	203,700	255,000	255,000	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>203,700</u>	<u>255,000</u>	<u>473,700</u>	<u>218,700</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 132,623</u>	<u>\$ 132,623</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2008

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Ad Valorem Taxes	\$ 517,915	\$ 449,474	\$ (68,441)
Homestead Exemption Reimbursement	5,642	29,856	24,214
Privilege Licenses and Fees	16,020	14,786	(1,234)
Road Maintenance	235,187	251,562	16,375
Sales Tax	600,000	584,541	(15,459)
State Aid	1,985	368	(1,617)
Gasoline Tax	7,500	1,985	(5,515)
Fire Protection	0	0	0
Alcoholic Beverage Licenses	1,800	1,800	0
Building Permits	13,000	15,051	2,051
Court Fines and Fees	142,088	165,403	23,315
TVA In Lieu Tax	0	19,470	19,470
Miscellaneous	31,406	41,241	9,835
Penalties and Interest	1,200	1,429	229
Cable Franchise Fees	78,290	40,403	(37,887)
Sale of Cemetery Lots	7,500	7,500	0
Sale of Surplus Equipment	0	0	0
Interest Income	679	2,897	2,218
Late Charges - Utility	8,711	8,987	276
Grant Income	76,673	137,372	60,699
Sanitation Fees	45,000	51,597	6,597
 Total revenues	 <u>1,790,596</u>	 <u>1,825,722</u>	 <u>35,126</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	217,850	204,550	13,300
Supplies	7,600	7,256	344
Other Services and Charges	195,129	188,075	7,054
Capital Outlay	81,220	196,859	(115,639)
Total	<u>501,799</u>	<u>596,740</u>	<u>(94,941)</u>
Public Safety			
Personnel Services	755,815	696,028	59,787
Supplies	63,675	62,512	1,163
Other Services and Charges	177,736	173,671	4,065
Capital Outlay	8,665	46,189	(37,524)
Total	<u>1,005,891</u>	<u>978,400</u>	<u>27,491</u>
Public Works			
Personnel Services	179,925	172,039	7,886
Supplies	25,631	26,300	(669)
Other Services and Charges	27,000	34,251	(7,251)
Capital Outlay	17,500	7,486	10,014
Total	<u>250,056</u>	<u>240,076</u>	<u>9,980</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Year Ended September 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Cultural and Recreational			
Personnel Services	\$ 0	\$ 0	\$ 0
Supplies	0	0	0
Other Services and Charges	5,500	5,291	209
Capital Outlay	0	0	0
Total	<u>5,500</u>	<u>5,291</u>	<u>209</u>
Sanitation			
Personnel Services	0	0	0
Supplies	0	0	0
Other Services and Charges	45,300	43,299	2,001
Capital Outlay	0	0	0
Total	<u>45,300</u>	<u>43,299</u>	<u>2,001</u>
Debt service			
Principal Retirement	36,500	269,565	(233,065)
Interest and Fiscal Charges	200,550	33,428	167,122
Total	<u>237,050</u>	<u>302,993</u>	<u>(65,943)</u>
 Total expenditures	 <u>2,045,596</u>	 <u>2,166,799</u>	 <u>(121,203)</u>
 Excess (Deficit) revenues over (under) expenditures	 <u>(255,000)</u>	 <u>(341,077)</u>	 <u>(86,077)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Capital Leases	0	218,700	218,700
Operating transfers in	255,000	255,000	0
 Total other financing sources (uses)	 <u>255,000</u>	 <u>473,700</u>	 <u>218,700</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	 <u>0</u>	 <u>132,623</u>	 <u>132,623</u>
 Fund balances at October 1, 2007,	 <u>235,846</u>	 <u>235,846</u>	 <u>0</u>
Fund balances at September 30, 2008	\$ <u><u>235,846</u></u>	368,469	\$ <u><u>132,623</u></u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		<u>11,093</u>	
Fund Balance GAAP September 30, 2008		\$ <u><u>379,562</u></u>	

OTHER SUPPLEMENTAL INFORMATION

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
For the Year Ended September 30, 2008

<u>Adjusted Assessed Valuation</u>	<u>ASSESSED VALUE</u>	<u>TAX</u>
Realty	\$ 12,101,681	
Personal - Other than Auto and Public Utilities	5,382,748	
Industrial Exemption	<u>(558,296)</u>	
Total @ 26.50 Mills	<u>16,926,133</u>	\$ 448,543
Personal - Auto (Remitted by County) @ 26.50 Mills	<u>1,128,943</u>	<u>29,917</u>
		478,460
Add: Prior Year Tax Collections		3,848
Less: Homestead Exemption Allowed		
Over 65 Tax Losses		(11,284)
Delinquent Taxes		(4,867)
Change in Dollar Amounts		<u>(9,699)</u>
		<u>456,458</u>
Total to be Accounted for:		<u>\$ 456,458</u>
<u>Credits:</u>	<u>TAXES</u>	
Collections Allocated to:		
General Fund	\$ <u>457,116</u>	
Total		\$ 457,116
Balance Represented by:		
Unaccounted for -(Over Settled)	\$ <u>(658)</u>	<u>(658)</u>
Total Accounted for:		<u>\$ 456,458</u>

TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2008

NAME	POSITION	BOND	INSURANCE COMPANY
Teresa Turner	City Clerk	\$ 100,000	Ms Municipal Bond Program
Angie Clayton	Court Clerk	50,000	Ms Municipal Bond Program
Vivian Turner	Utility Collector	100,000	Ms Municipal Bond Program
Judith Mabry	Utility Collector	100,000	Ms Municipal Bond Program
Helen Rayford	Utility Collector	100,000	Ms Municipal Bond Program
Dori Rodgers	Utility Collector	10,000	Ms Municipal Bond Program
Kathy Vanderhook	Utility Collector	10,000	Ms Municipal Bond Program
Teresa Lesure	Utility Collector	10,000	Ms Municipal Bond Program
Deborah Osborne	Utility Collector	10,000	Ms Municipal Bond Program
Barbara Wages	Utility Collector	10,000	Ms Municipal Bond Program
Gary Looney	Police Chief	50,000	Ms Municipal Bond Program
William Rose	City Manager	50,000	Ms Municipal Bond Program
Michael Hamblin	Alderman	25,000	Ms Municipal Bond Program
Richard Minor	Alderman	25,000	Ms Municipal Bond Program
Robert Carrington	Alderman	25,000	Ms Municipal Bond Program
Terry Sawyer	Alderman	25,000	Ms Municipal Bond Program
Phillip Malone	Alderman	25,000	Ms Municipal Bond Program
Otis Dempsey	Mayor	50,000	Ms Municipal Bond Program

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2008

	BALANCE		TRANSACTIONS		BALANCE	
	OUTSTANDING		DURING FISCAL YEAR		OUTSTANDING	
	<u>October 1, 2007</u>		<u>ISSUED</u>	<u>REDEEMED</u>	<u>September 30, 2008</u>	
<u>Revenue Bonds</u>						
General Obligation Bonds	\$ 464,000	\$	\$ 15,000	\$	449,000	
Combined Water and Sewer System	98,035		8,001		90,034	
Gas System	780,000		60,000		720,000	
<u>Other Long Term Debt</u>						
Notes Payable - State of Mississippi						
Proprietary Fund-SRF	342,340		63,112		279,228	
Community Facility Loan	368,238		7,329		360,909	
CAP Loan - State of Mississippi	122,096		19,972		102,124	
Capital Lease Payable -						
Republic First National Corporation	93,213		19,578		73,635	
Capital Lease Payable -						
2006 Ford Truck	11,050		5,408		5,642	
Tax Anticipation Loan		180,000	180,000		0	
Capital Lease Payable -						
2007 Police Cars (2)	39,980		13,786		26,194	
Capital Lease Payable -						
2008 Police Cars (2)		38,700	3,057		35,643	
Notes Payable-Bank of Holly Springs						
Natural Gas System		36,601			36,601	
Notes Payable - Citizens Bank						
Fire Truck	125,778		31,445		94,333	
Capital Lease Payable -						
Computer System	17,400		11,506		5,894	
Capital Lease Payable -						
Crown Victorias (2)	2,033		2,033		0	
Capital Lease Payable -						
Backhoe	31,288		8,404		22,884	
	<u>2,495,451</u>		<u>255,301</u>		<u>2,302,121</u>	
TOTAL	\$	\$	\$	\$		

OTHER REPORTS



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

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MEMBERS OF THE

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Mayor and Board of Aldermen
Town of Byhalia
Byhalia, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2008, which collectively comprise the Town of Byhalia, Mississippi's basic financial statements and have issued our report dated July 8, 2010. 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 Byhalia, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Byhalia, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Byhalia, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Byhalia, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the Town of Byhalia, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (See Findings 1, 2, 3, 4, 5, 6, 7, 8 & 9).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Byhalia, Mississippi's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies above, we consider Findings 1, 3, 4, 5, 6, 8 & 9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Byhalia, Mississippi's general purpose 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and reportable conditions as finding numbers 1, 2, 4, 5, 6, 8 & 9.

The Town of Byhalia, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Byhalia, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, 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, this report is a matter of public record and its distribution is not limited.

Franks, Franks & Jarrell, P.A.
FRANKS, FRANKS & JARRELL, P.A.
July 8, 2010

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1

Criteria: The Town is required, by state statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuation of its fixed assets.

Cause of Condition: The Town did not conduct inventory observations of fixed assets needed to maintain accountability of assets and prepare a complete listing of assets. The Town's listing did not include all assets owned by the Town. Additional assets were identified and added to the listing, however, it appears that additional asset may still exist that should be added as of September 30, 2008.

Recommendation: The Town should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. The Town should also prepare a complete fixed asset listing substantiating the valuation, location, description and inventory tag numbers of its fixed assets. The Town should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

Response: The Town will conduct year-end inventory observations of their fixed assets. Also, the Town will continue to develop a complete listing of all fixed assets to comply with state statutes.

FINDING NO. 2

Criteria: The Town is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the Town maintains public funds.

Cause of Condition: The Town did not ensure that all bank accounts were covered under the State Treasurer pool for the year September 30, 2008. One bank account of the Town was not reflected on the quarterly statements from the State Treasurer. Therefore, the Town was not adequately covered by pledged securities under the State Collateral Pool. The Town did not have a policy in place to reconcile the quarterly reports to the financial records of the Town.

Recommendation: The Town should implement adequate internal controls to ensure that all relevant reports regarding the State Collateral Pool are maintained and should reconcile the quarterly reports with the financial records of the Town.

Response: The Town will ensure that it has all current State Collateral Pool reports from the State Treasurer so as to ensure that all Town deposits are properly collateralized. The Town will file an annual report with the State Treasurer.

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008

FINDING NO. 3

Criteria: The Town is required, by state statutes, to post a notice of a public hearing, hold such public hearing and document the public hearing in the board minutes of the Town.

Cause of Condition: The Town did not note in the Town's minutes that a public hearing was held prior to adoption of the budget. Therefore, no documentation of a public hearing is evident from the minutes. The Town did not note approval of the budget in the minutes of the Board meetings. Also, the Town did not post public notice of departmental budget amendments in excess of 10% as required by state statutes.

Recommendation: The Town should more closely monitor the procedures and prescribed schedule related to adopting the Town's annual budget. The Town should post notice of the public hearing as prescribed by state statutes and retain documentation of the notice and places that the notice was posted. The Town should include in its minutes the date, time and discussions from the public hearing. The Town should prepare a sign-in sheet for the public hearing and have all attendees sign in. The Town should retain the sign-in sheets for documentation of the public hearing. The Town should assure that the budget is formally adopted by September 15th. The Town should document the adoption of the budget in the minutes of the Board meeting. The Town should ensure that all departmental budget amendments in excess of 10% of the originally adopted departmental budget be posted in three public places as required by state statutes

Response: The Town will ensure that the annual budget is adopted prior to September 15th. The Town will follow required procedures related to posting notice and holding of a public hearing.

FINDING NO. 4

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

Cause of Condition: The Town's internal control did not provide for adequate segregation of duties in relation to the various functions of the Town's operations. The utilities accountant is responsible for adding and deleting accounts, downloading meter readings, billings, adjustments, collections, deposits, and posting of payments. Adequate oversight was not being provided related to the utility system personnel and responsibilities.

Recommendation: The Town should implement adequate segregation of duties in all areas of the accounting system. The Town had an internal control study performed in a prior year. The Town should refer to the internal control study for specifics on the segregation of duties.

Response: The Town will ensure the procedures are put in operation to ensure adequate segregation of duties in the future.

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008

FINDING NO. 5

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. Mississippi Code Section 21-35-11, Miss. Code Ann. (1972) requires the Town Clerk to open and keep the books and records of the accounting system. The Town Clerk is responsible for the accounting records and at all times should assure that they are secure from loss, damage or alteration. In addition, according to the Mississippi Municipal Audit and Accounting Guide, the accounting records are to be maintained on a cash basis. Meaning transactions are recorded when cash is received or disbursements are made during the fiscal year.

Cause of Condition: The Town did not maintain adequate internal controls over its general ledger accounting functions. The Town did not ensure that all bank reconciliations were properly prepared and agreed to the general ledger in a timely manner. Numerous receipts and disbursements were not recorded in the accounting records of the Town as they were received or disbursed. Numerous adjustments were necessary to correct various general ledger accounts to supporting documentation and subsidiary ledgers. Monthly revenue and expense reports were not being provided to the Board of Alderman in a timely manner.

Recommendation: The Town should implement adequate internal controls over all its accounting functions sufficient to provide timely information to provide for management control and oversight. The Town should ensure that the Town Clerk is responsible for keeping the books and records of the accounting system. Additionally, the Town should ensure that the Town Clerk records all receipts and disbursements on the accounting records as the funds are received or disbursed. The Town should ensure that all bank accounts are reconciled on a monthly basis and the Board is provided a monthly revenue and expense comparison report.

Response: The Town has taken steps to strengthen internal controls over the general ledger functions. The Town has converted to a new general ledger accounting software package and has addressed other issues related to various accounting functions.

FINDING NO. 6

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

Cause of Condition: The Town did not maintain adequate internal controls over its court collection procedures. The Town did not ensure that all settlements of assessments were paid to the State on a monthly basis. The Town was several months past due on remitting assessments to the State.

Recommendation: The Town should implement adequate internal controls over all its court collection and settlement functions. The Town should begin remitting the assessments to the State on a monthly basis.

Response: The Town will take steps to ensure that the proper settlements are made to the State on a monthly basis for all future months. The Town will recalculate the amount due to the State related to all collections not previously settled to the State.

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008**

FINDING NO. 7

Criteria: The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi Code Ann. (1972), requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

Cause of Condition: The Town had budget overages in some expenditure categories for the year ended September 30, 2008. The Town did not modify the budgeted amounts for various revenue sources when it was evident that the budgeted revenues would not be collected. The Town Clerk did not prepare accurate revenue and expense budget to actual comparisons on a monthly basis for review and approval by the Board of Aldermen for the purpose of monitoring the status of the budget.

Recommendation: The Town should ensure that all expenditures are within the final amended budget amounts. The Town Clerk should utilize the current software to generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenditures are disbursed in excess of budgeted amounts. The Town Clerk should provide the budget reports to the Board at each monthly meeting.

Response: The Town will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis. The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

FINDING NO. 8

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

Cause of Condition: The Town did not apply consistent and accurate rates on all customer of the water system of the Town. We noted instances of incorrect rates being applied to several customer accounts.

Recommendation: The Town should implement adequate internal controls over all its accounting functions to include the assignment of rates related to water billings. Also, we would recommend that the Town review the rates being charged to current customers to ensure proper rates.

Response: The Town will review all rates to ensure that the correct rates are being charged for all customers.

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008**

FINDING NO. 9

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

Cause of Condition: The Town made numerous large transfers of funds between the various funds of the Town. Some of these transfers were reflected as due to/from other funds on the Town's general ledger. However, many of the transfers of funds between the funds of the Town were not recorded on the general ledger. The Town did not maintain any reconciliation of the transfers to ensure that the transfers between funds balanced.

Recommendation: The Town should limit the transfer or borrowing of funds between the various funds of the Town. Any transfers or borrowing should be recorded in the general ledger and monitored and balanced so that repayment between funds can be made in the future.

Response: The Town will monitor and balance all transfers and borrowing of funds and ensure that all transfers or borrowings are recorded on the general ledger.

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

FINDING NO. 10

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Cause of Condition: The Town did not obtain competitive quotes for one purchase during the fiscal year, as required by state statutes.

Recommendation: The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

Response: Purchase laws are now being complied with by all department heads and we have established procedures which will ensure compliance with purchase laws.

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2008**

FINDING NO. 11

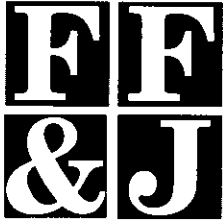
Criteria: The Town is to maintain adequate internal controls to ensure compliance with state statutes related to the handling of drug fund seizures and forfeitures.

Cause of Condition: The Town did not ensure proper and timely accounting for drug fund seizure and forfeiture funds taken by the Town's police department. Several instances of drug fund seizures were not timely deposited into a bank account of the Town. It appears that there were instances where funds were held by Town employees prior to depositing into Town bank accounts. Also, it appears there were instances of seized property being sold by the Town without proper declarations of forfeiture provided by the court.

Recommendation: The Town should implement adequate internal controls over the handling of seized and forfeited property by the Town. The Town should ensure that they follow state laws and statutes related to seized and forfeited property.

Response: The Town will implement procedures related to the handling of seized and forfeited property.

- * Findings 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 are considered Significant Deficiencies.
- * Findings 1, 4, 5, 6, 7, 8 and 10 are considered Material Weaknesses.
- * Findings 1, 2, 3, 5, 6, 7 and 10 are considered noncompliance findings.
- * Findings 1, 3, 4, 5, 6, 7, 9, 10 and 11 were findings in the prior year.



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

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the general purpose financial statements of Town of Byhalia, Mississippi as of and for the year ended September 30, 2008 and have issued our report dated July 8, 2010. 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, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses can be found in the accompanying schedule of findings and responses as findings 1, 2, 4, 5, 6, 8 and 9.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
July 8, 2010