

Land Sonnier

PROFESSIONAL ASSOCIATION

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October 20, 2009

Mayor and Town Board
Town of Guntown, Mississippi

RE: REISSUED AUDIT REPORT 09/30/08

Dear Mayor and Board Members:

Enclosed are corrected copies of the Town's audit report for the year ended September 30, 2008. The report was reissued to include sales tax receivable as of September 30, 2008, to correct spelling errors and to present the proprietary fund cash flow statement using the direct method.

These corrections did not affect the materiality of the report, yet we felt the changes would be beneficial to the September 30, 2009 audit.

Please send a copy of this letter and the reissued report to any person or agency that received a copy of the previous report and request that the original be destroyed.

Your assistance in this matter is appreciated. You may invoice our office for any expense the Town may incur.

Sincerely,



Land Sonnier, PA
Certified Public Accountants

enclosures

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

TOWN OF GUNTOWN, MISSISSIPPI

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

**TOWN OF GUNTOWN, MISSISSIPPI
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INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Guntown, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, as of and for the year ended September 30, 2008, which collectively comprise the Town or Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Guntown, Mississippi's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Town of Guntown, as of September 30, 2008, and the respective changes in financial position and, where applicable, and the respective budgetary comparison for the General Fund and the Proprietary Fund, on the cash basis thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2009, on our consideration of the Town of Guntown's internal control over financial reporting and on 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 11, are not a required part of the basic financial statements but are supplementary information required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guntown's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Town of Guntown. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

Land Sonnier, P.A.

Land Sonnier, P. A.

Certified Public Accountants

Tupelo, Mississippi

January 27, 2009

Town of Guntown
Management's Discussion and Analysis
For the Year Ended September 30, 2008
Unaudited

This Discussion and Analysis of The Town of Guntown financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

Key financial highlights for the year ended September 30, 2008 were as follows:

Total net assets decreased \$13,000 or 1.3% from 2007.

Total assets of governmental activities decreased \$28,000, or 2.5% from 2007.

Total liabilities decreased by \$15,000 or 13.7% from 2007.

In total, equity in pooled cash and cash equivalents decreased \$64,201 or 7.0%, from 2007.

Overall, the book value of capital assets increased by over \$109,000 from 2007.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town of Guntown as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Town, presenting both an aggregate view of the Town's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the Town's most significant funds and other non-major funds.

REPORTING THE TOWN OF GUNTOWN AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the Town to provide services to our citizens, the view of the Town as a whole looks at all financial transactions and asks the question, "How did we do financially during the year ended September 30, 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities, using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the Town as a whole, the financial position of the Town has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of the Town's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the Town's activities are reported as Governmental Activities, which include all of the Town's services including police, fire, administration, and all other departments. The Town of Guntown has no Component units.

Reporting the Town of Guntown's Most Significant Funds

Fund Financial Statements

The analysis of the Town's major funds begins on page 6. Fund financial reports provide detailed information about the Town's major funds. Based on restrictions on the use of monies, the Town has established many funds, which account for the multitude of services provided to the Town's residents. However, these fund financial statements focus on the Town's most significant funds. In the case of the Town of Guntown, the Town's major funds are the General, Special Revenue, and Water and Sewer.

Fund Financial Statements

All of the Town's activities are reported in the governmental funds, and one proprietary fund, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Town's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. There is one kind of proprietary fund. This is an enterprise fund. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary Fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements.

Recall that the Statement of Net Assets looks at the Town as a whole. Table 1 provides a summary of the Town's net assets for 2007 compared to 2008.

**TOWN OF GUNTOWN, MISSISSIPPI
SUMMARY OF NET ASSETS - TABLE I
FOR THE FISCAL YEARS ENDED SEPTEMBER 30**

	Governmental Activities		Business Type Activities		Totals		Amount Change
	2008	2007	2008	2007	2008	2007	
Current and Other Assets	\$ 170,150	\$ 202,501	\$ 682,529	\$ 714,379	\$ 852,679	\$ 916,880	(\$ 64,201)
Capital Assets - Net	<u>902,873</u>	<u>893,910</u>	<u>3,991,629</u>	<u>3,526,695</u>	<u>4,894,502</u>	<u>4,420,605</u>	<u>473,897</u>
Total Assets	<u>\$ 1,073,023</u>	<u>\$ 1,096,411</u>	<u>\$ 4,674,158</u>	<u>\$ 4,241,074</u>	<u>\$ 5,747,181</u>	<u>\$ 5,337,485</u>	<u>\$ 409,696</u>
Long-Term Liabilities	\$ 446	\$ 69,623	\$ 1,769,119	\$ 1,395,570	\$ 1,769,565	\$ 1,465,193	\$ 304,372
Other Liabilities	<u>90,112</u>	<u>40,102</u>	<u>121,363</u>	<u>48,789</u>	<u>211,475</u>	<u>88,891</u>	<u>122,584</u>
Total Liabilities	<u>\$ 90,558</u>	<u>\$ 109,725</u>	<u>\$ 1,890,482</u>	<u>\$ 1,444,359</u>	<u>\$ 1,981,040</u>	<u>\$ 1,554,084</u>	<u>\$ 426,956</u>
Net Assets:							
Invested in Capital Assets	\$ 810,017	\$ 824,287	\$ 2,090,033	\$ 2,131,125	\$ 2,900,050	\$ 2,955,412	(\$ 55,362)
Net of Related Debt	00	00	231,845	151,063	231,845	151,063	80,782
Restricted	<u>172,448</u>	<u>162,399</u>	<u>461,798</u>	<u>514,527</u>	<u>634,246</u>	<u>676,926</u>	<u>(42,680)</u>
Unrestricted	<u>\$ 982,465</u>	<u>\$ 986,686</u>	<u>\$ 2,783,676</u>	<u>\$ 2,796,715</u>	<u>\$ 3,766,141</u>	<u>\$ 3,783,401</u>	<u>(\$ 17,260)</u>
Total Net Assets							

Total assets increased \$409,000. Equity in current assets decreased \$187,000. Capital assets increased \$469,505.

Net assets of the Town's governmental activities decreased by \$4,221, with unrestricted net assets decreasing \$4,000.

Table II shows the Changes in Net Assets for the year ended September 30, 2008 and the year ended September 30, 2007.

The Town's Water and Sewer utility operates as a business type fund. During the year ended September 30, 2008, the Fund realized a decrease in current assets of \$32,000; an increase in capital assets of \$465,000; an increase in liabilities of \$447,000; and net assets decreased \$13,039. The increase in assets is due largely to new construction of capital assets.

The Town as a whole decreased total net assets by \$17,000. Total assets increased 7%; liabilities increased 2.7% and total net assets decreased .5%.

**TOWN OF GUNTOWN, MISSISSIPPI
CHANGES IN NET ASSETS - TABLE II
FISCAL YEARS ENDED SEPTEMBER 30**

	Governmental Activities		Business Type Activities		Totals		Amount Change
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program Revenues:							
Charges for Services	\$ 20,261	\$ 20,213	\$ 420,081	\$ 433,233	\$ 440,342	\$ 453,446	(\$ 13,104)
Operating Grants and Contributions	18,247	21,235	00	317	18,247	21,552	(3,305)
Capital Grants and Contributions	46,846	00	74,500	00	121,346	00	121,346
General Revenues:							
Sales Taxes	153,365	140,937	00	00	153,365	140,937	12,428
Property Taxes	204,024	182,971	00	00	203,701	182,971	20,730
Franchise Taxes	48,124	44,747	00	00	48,124	44,747	3,377
Fines	120,489	99,656	00	00	120,489	99,656	20,833
Other Revenues	36,808	47,513	24,349	15,017	61,480	62,530	(1,050)
Total Revenues	\$ 648,164	\$ 557,272	\$ 518,930	\$ 448,567	\$ 1,167,094	\$ 1,005,832	\$ 161,255
Expenses:							
General Government	\$ 316,364	\$ 271,496	\$ 00	\$ 00	\$ 316,364	\$ 271,496	\$ 44,868
Police	282,410	307,977	00	00	282,410	307,977	(25,567)
Fire	36,117	40,647	00	00	36,117	40,647	(4,530)
Recreation	16,785	19,694	00	00	16,785	19,694	(2,909)
Water & Sewer Utilities	00	00	531,969	471,385	531,969	471,385	60,584
Transfers (In) Out	00	(75,000)	00	75,000	00	00	00
Total Expenses	\$ 651,676	\$ 564,814	\$ 531,969	\$ 546,385	\$ 1,183,645	\$ 1,111,199	\$ 72,446
Change in Net Assets	(\$ 3,512)	(\$ 7,542)	(\$ 13,039)	(\$ 97,818)	(\$ 16,551)	(\$ 105,360)	\$ 88,809
Beginning Net Assets	986,686	944,489	2,796,715	2,894,533	3,783,401	3,839,022	(55,621)
Prior Year Adjustments	(709)	49,739	00	00	(709)	49,739	(50,448)
Ending Net Assets	\$ 982,465	\$ 986,686	\$ 2,783,676	\$ 2,796,715	\$ 3,766,141	\$ 3,783,401	(\$ 17,260)

Governmental Activities

Several revenues sources fund our Governmental Activities. Sales tax collections accounted for 37%; property taxes accounted for 31%; and fines accounted for 19% of gross revenues.

On the cash basis of accounting the Town has increased Sales Tax Collections since 2001 by \$41,292. Property Tax Collections have increased by \$96,142. These increases can be attributed to expansion of the Town Limits and aggressive economical development.

Major expense activities, under the accrual basis of accounting included police protection 43% and fire protection 5% or 48% on security of persons and property. The Town is committed to providing basic services that our residents expect.

All Governmental Funds had a total revenues of \$648,164 and expenditures of \$651,676.

The Fund Balance of The General Fund decreased \$9,000.

The Business Type Activity, the Water and Sewer Fund, recorded an increase in water and sewer sales of \$12,530 for a 3% increase. This increase is due primarily to expansion of the water system in 2008.

It is the intention of Town officials to provide adequate, safe water and sewer services to its citizens.

There was a decrease in net assets of the Water and Sewer Utility of \$26,159.

General Fund Budgeting Highlights

The Town's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. For the General Fund, final budget amounts were \$564,234, and actual revenue collections were \$648,631. Three major factors contributing to the increase of actual revenues over budgeted amounts were increased revenues for the categories of Property and Other Taxes, and Fines.

The Town of Guntown's ending unencumbered cash balance in the general fund was \$169,534.

Capital Assets and General Long-Term Obligations
Capital Assets

Table 3
Capital Assets at September 30, 2008

	Balance 10-01-07	Additions	Deductions	Balance Sept. 30, 2008
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 320,720	\$ 00	\$ 00	\$ 320,720
Depreciable Assets:				
Buildings	\$ 321,194	\$ 00	\$ 00	\$ 321,194
Equipment	130,392	50,604	00	180,996
Motor Vehicles	368,280	6,900	00	375,180
Total Depreciable Assets	\$ 819,866	\$ 57,504	\$ 00	\$ 877,370
Accumulated Depreciation:				
Buildings	\$ 54,617	\$ 6,256	\$ 00	\$ 60,873
Equipment	29,795	20,364	00	50,159
Motor Vehicles	162,264	21,921	00	184,185
Total Accumulated Depreciation	\$ 246,676	\$ 48,541	\$ 00	\$ 295,217
Assets-Net of Depreciation	\$ 893,910			\$ 902,873
Business Type Activities:				
Non-Depreciable Assets:				
Land	\$ 34,878	\$ 00	\$ 00	\$ 34,878
Depreciable Assets:				
Water and Sewer Plant	\$ 3,394,573	\$1,248,260	\$ 00	\$ 4,642,833
Equipment	322,607	7,640	00	330,247
Motor Vehicles	37,898	00	00	37,898
Total Depreciable Assets	\$ 3,755,078	\$1,255,900	\$ 00	\$ 5,010,978
Accumulated Depreciation:				
Water and Sewer Plant	\$ 768,764	\$ 81,931	\$ 00	\$ 850,695
Equipment	151,007	26,327	00	177,334
Motor Vehicles	22,261	3,938	00	26,199
Total Accumulated Depreciation	\$ 942,032	\$ 112,196	\$ 00	\$ 1,054,228
Assets Net of Depreciation	\$ 2,847,924			\$ 3,991,628

General Long-Term Obligations

At September 30, 2008, the Town of Guntown had \$1,351,556 in outstanding Revenue Bonds.

Table 4
Outstanding Notes and Revenue Bond Obligations at Year End

	<u>2008</u>	<u>2007</u>
Governmental:		
Notes	\$ 53,910	\$ 14,110
Business Type:		
Revenue Bonds	1,351,556	716,922
Notes	<u>487,898</u>	<u>678,648</u>
Total	<u>\$1,893,364</u>	<u>\$ 1,409,680</u>

The Proprietary Fund (Water and Sewer) Revenue bonds range in age from 1974 through 2008. The final maturity of the last bond issue will be June, 2038.

During the last five years the Town has constructed a new Town Hall that houses the general government offices and police department offices. In the same period two major additions were made to the water and/or sewer system. A fluoridator system was added to the water system in 2008.

The Town's Mayor and Board of Aldermen are striving to increase new development in the commercial and residential areas. The plan is to develop at a pace that can continue to provide the required Town services at a reasonable tax rate.

Contacting the Town's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jimmy Anderson, Mayor at 1589 Main Street, Guntown, Mississippi.

**TOWN OF GUNTOWN, MISSISSIPPI
GOVERNMENT WIDE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

EXHIBIT I-A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 169,534	\$ 624,487	\$ 794,021
Accounts Receivable-Service	00	56,543	56,543
Taxes Receivable	11,870	-0-	11,870
Accrued Interest Receivable	312	1,500	1,812
Prepaid Interest	<u>305</u>	<u>00</u>	<u>305</u>
Total Current Assets	<u>\$ 182,021</u>	<u>\$ 682,530</u>	<u>\$ 864,551</u>
Non-Current Assets (Net of Accumulated Depreciation)			
Land	\$ 320,720	\$ 34,878	\$ 355,598
Buildings	260,321	00	260,321
Motor Vehicles	126,395	11,796	138,191
Equipment	195,437	168,168	363,605
Water-Sewer Plant	<u>00</u>	<u>3,776,786</u>	<u>3,776,786</u>
Total Non-Current Assets	<u>\$ 902,873</u>	<u>\$ 3,991,628</u>	<u>\$ 4,894,501</u>
Total Assets	<u>\$ 1,084,894</u>	<u>\$ 4,674,158</u>	<u>\$ 5,759,052</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 27,236	\$ 10,445	\$ 37,681
Accrued Salaries Payable	7,835	4,712	12,547
Payroll Withholdings Payable	857	406	1,263
Refundable Deposits	585	22,497	23,082
Accrued Interest Payable	136	12,968	13,104
Bonds Payable	00	53,098	53,098
Notes Payable	<u>53,464</u>	<u>17,237</u>	<u>70,701</u>
Total Current Liabilities	<u>\$ 90,113</u>	<u>\$ 121,363</u>	<u>\$ 211,476</u>
Non-Current Liabilities:			
Bonds Payable	\$ 00	\$ 1,298,458	\$ 1,298,458
Notes Payable	<u>446</u>	<u>470,661</u>	<u>471,107</u>
Total Long Term Liabilities	<u>\$ 446</u>	<u>\$ 1,769,119</u>	<u>\$ 1,769,565</u>
Total Liabilities	<u>\$ 90,559</u>	<u>\$ 1,890,482</u>	<u>\$ 1,981,041</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	\$ 848,963	\$ 2,152,174	\$ 3,001,137
Unrestricted	<u>145,372</u>	<u>631,502</u>	<u>776,874</u>
Total Net Assets	<u>\$ 994,335</u>	<u>\$ 2,783,676</u>	<u>\$ 3,778,011</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT I-B

Net (Expenses) Revenues and Changes In Net Assets

	<u>Program Revenues</u>			<u>Primary Government</u>		Total
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
<u>Primary Government:</u>						
<u>Governmental Activities</u>						
General Government	\$ 316,364	\$ 18,247	\$ 00	(\$ 280,002)	\$ 00	(\$ 280,002)
Police Department	282,410	00	2,249	(280,161)	00	(280,161)
Fire Department	36,117	00	44,597	8,480	00	8,480
Culture and Recreation	16,785	2,146	00	(14,639)	00	(14,639)
Total Government Activities	<u>\$ 651,676</u>	<u>\$ 18,247</u>	<u>\$ 46,846</u>	<u>(\$ 566,322)</u>	<u>\$ 00</u>	<u>(\$ 566,322)</u>
<u>Business Type Activities:</u>						
Water/Sewer Fund	\$ 531,969	\$ 74,500	\$ 00			
Total Business Type Activities	<u>\$ 531,969</u>	<u>\$ 74,500</u>	<u>\$ 00</u>	<u>(\$ 37,388)</u>		<u>(\$ 37,388)</u>
<u>Total Primary Government</u>	<u>\$ 1,183,645</u>	<u>\$ 92,747</u>	<u>\$ 46,846</u>			<u>(\$ 603,710)</u>
<u>General Revenues:</u>						
Taxes - Property				\$ 203,701	\$ 00	\$ 203,701
Taxes - Sales				153,365	00	153,365
Taxes - Franchise				48,124	00	48,124
Fines				120,489	00	120,489
Other Revenues				37,131	24,349	61,480
Total General Revenues				<u>\$ 562,810</u>	<u>\$ 24,349</u>	<u>\$ 587,159</u>
Changes in Net Assets				(3,512)	(13,039)	(16,551)
<u>Net Assets - Beginning as Restated</u>				<u>997,847</u>	<u>2,796,715</u>	<u>3,791,050</u>
<u>Net Assets - Ending</u>				<u>\$ 994,335</u>	<u>\$ 2,783,676</u>	<u>\$ 3,774,499</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	MAJOR FUNDS		TOTAL
	General	Special Revenue	Governmental Funds
<u>ASSETS</u>			
Cash	\$ 118,699	\$ 50,835	\$ 169,534
Taxes Receivable	11,870	00	11,870
Prepaid Interest	70	235	305
Accrued Interest Receivable	<u>312</u>	<u>00</u>	<u>312</u>
Total Assets	<u>\$ 130,951</u>	<u>\$ 51,070</u>	<u>\$ 182,021</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 16,984	\$ 10,252	\$ 27,236
Accrued Salaries Payable	2,956	4,879	7,835
Refundable Deposits	585	00	585
Payroll Withholdings	293	564	857
Accrued Interest Payable	<u>94</u>	<u>42</u>	<u>136</u>
Total Liabilities	<u>\$ 20,912</u>	<u>\$ 15,737</u>	<u>\$ 36,649</u>
<u>FUND BALANCES</u>			
Unreserved Reported In:			
Reserved For Debt Service	\$ 3,291	\$ 50,173	\$ 53,464
General Fund	106,748	00	106,748
Special Revenue Fund	<u>00</u>	<u>(14,840)</u>	<u>(14,840)</u>
Total Fund Balances	<u>\$ 110,039</u>	<u>\$ 35,333</u>	<u>\$ 145,372</u>
Total Liabilities and Fund Balances	<u>\$ 130,951</u>	<u>\$ 51,070</u>	<u>\$ 182,021</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

EXHIBIT I-D

Total Fund Balance - Total Governmental Funds	\$ 145,372
Capital Assets of \$1,198,091. Net of accumulated depreciation of (\$245,218) are not financial resources and, therefore, are not reported in the funds. See note 18 for additional detail.	902,873
Long-Term Liabilities of \$11,569 are not due and payable in the current period and are not reported in the funds. See note 19 for detail.	(<u>53,910</u>)
Net Assets of Governmental Activities	<u>\$ 994,335</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT I-E

	<u>FUNDS</u>		Total Governmental Funds
	General	Special Revenue	
Revenues:			
Ad Valorem Taxes	\$ 139,872	\$ 64,152	\$ 204,024
Payment in Lieu of Taxes	11,357	00	11,357
Privilege Taxes	2,178	00	2,178
Franchise Taxes	40,877	00	40,877
Permits	19,166	00	19,166
Sales Tax	153,365	00	153,365
Rents	18,296	00	18,296
Grants and Donations	3,178	61,915	65,093
Court Fines	00	120,489	120,489
Interest Earned	3,362	00	3,362
Other Income	7,926	2,031	9,957
Total Revenue	\$ 399,577	\$ 248,587	\$ 648,164
Expenditures:			
General Government	\$ 333,149	\$ 00	\$ 333,149
Special Revenue:			
Police	00	282,410	282,410
Fire	00	36,117	36,117
Total Expenditures	\$ 333,149	\$ 318,527	\$ 651,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 66,428	(\$ 69,940)	(\$ 3,512)
Fund Balance Beginning	32,450	105,273	137,723
Prior Period Adjustments -			
Tax Receivables	11,870	00	11,870
Capital Assets	(709)	00	(709)
Fund Balance Ending	\$ 110,039	\$ 35,333	\$ 145,372

The accompanying notes are an integral part of these financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

EXHIBIT I-F

Net Change in Fund Balances - Total
Governmental Funds (Exhibit I-E)

(\$ 3,512)

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
GENERAL FUND - COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CASH BASIS (NON-GAAP)-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2008 **EXHIBIT I-G**

	Original Budget	Total Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Taxes	\$ 162,537	\$ 204,024	\$ 41,487
Franchise Taxes/In Lieu	23,698	52,234	28,536
Sales Taxes	150,000	153,365	3,365
Permits and Licenses	22,000	21,344	(656)
Rent	15,500	18,296	2,796
Grants and Donations	56,309	65,093	8,784
Court Fines	100,000	120,489	20,489
Interest Earned	4,525	3,829	(696)
Other Income	29,665	9,957	(19,708)
Total Revenue	<u>\$ 564,234</u>	<u>\$ 648,631</u>	<u>\$ 84,397</u>
Expenditures:			
General Government	\$ 345,111	\$ 307,159	\$ 37,952
Police	277,807	280,548	(2,741)
Fire	89,403	34,806	54,597
Recreational	17,067	16,785	282
Total Expenditures	<u>\$ 729,388</u>	<u>\$ 639,298</u>	<u>\$ 90,090</u>
Excess Expenses (Over) Under Revenues	(<u>\$ 165,154</u>)	\$ 9,333	<u>\$ 174,487</u>
Financing Sources (Uses)			
Loans (Net)	12,000	(27,281)	
Capital Projects (Net)	50,090	(8,965)	
Refundable Deposits	<u>00</u>	<u>230</u>	
Total Other	<u>62,090</u>		
		(\$ 26,683)	
Fund Balance 9-30-07		196,926	
Fund Balance Restated 9-30-07		(709)	
Fund Balance 9-30-08		<u>\$ 169,534</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
PROPRIETARY FUND-STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL - CASH BASIS (NON-GAAP)
FOR THE YEAR ENDED SEPTEMBER 30, 2008 **EXHIBIT I-H**

	Original Budget	Total Actual	Favorable (Unfavorable) Variance
<u>Revenues:</u>			
Water Sales	\$ 248,000	\$ 252,812	\$ 4,812
Sewer Sales	119,000	130,827	11,827
Service Connections and Bags	25,200	26,100	900
Interest Earned	20,000	21,224	1,224
Other Income	<u>14,515</u>	<u>20,866</u>	<u>6,351</u>
Total Revenues	<u>\$ 426,715</u>	<u>\$ 451,829</u>	<u>\$ 25,114</u>
<u>Expenditures:</u>			
Personal Services	\$ 202,578	\$ 204,913	(\$ 2,335)
Supplies	86,200	98,029	(11,829)
Other Charges and Services	<u>41,149</u>	<u>77,232</u>	<u>(36,083)</u>
Total Expenditures	<u>\$ 329,927</u>	<u>\$ 380,174</u>	<u>(\$ 50,247)</u>
Revenues Over (Under) Expenditures	<u>\$ 96,788</u>	<u>\$ 71,655</u>	<u>(\$ 25,133)</u>
<u>Other Financing Sources (Uses):</u>			
Customer Deposits		\$ 6,045	
Interest on Notes and Bonds		(43,407)	
Loans		958,653	
Debt Reduction		(514,767)	
Capital Outlay		(577,129)	
Transfers - Out		<u>74,500</u>	
Total Other Sources (Uses)		<u>(\$ 96,105)</u>	
Fund Balance Decrease		(24,450)	
Fund Balance September 30, 2007		<u>648,937</u>	
Fund Balance September 30, 2008		<u>\$ 624,487</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2008

EXHIBIT I-I

<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 624,487	
Accounts Receivable	56,543	
Accrued Interest Receivable	<u>1,500</u>	
Total Current Assets		\$ 682,530
 <u>Non-Current Assets (Net of Depreciation):</u>		
Land	\$ 34,878	
Motor Vehicles	11,796	
Equipment	168,168	
Water - Sewer Plant	<u>3,776,786</u>	
Total Non-Current Assets		<u>\$ 3,991,628</u>
Total Assets		<u>\$ 4,674,158</u>
 <u>Current Liabilities:</u>		
Accrued Salaries Payable	\$ 4,712	
Payroll Withholdings Payable	406	
Accounts Payable	10,445	
Accrued Interest Payable	12,968	
Customer Meter Deposits	22,497	
Notes Payable-Due in Twelve Months	<u>70,335</u>	
Total Current Liabilities		\$ 121,363
 <u>Non-Current Liabilities:</u>		
Bonds Payable	1,298,458	
Notes Payable	<u>470,661</u>	
Total Non-Current Liabilities		<u>1,769,119</u>
Total Liabilities		<u>\$ 1,890,482</u>
 <u>Net Assets:</u>		
Invested In Capital Assets		
Net of Related Debt		\$ 2,090,033
Unrestricted		<u>693,643</u>
Total Net Assets		<u>\$ 2,783,676</u>
<u>Net Assets of Business Type Activities</u>		<u>\$ 2,783,676</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT I-J

<u>Operating Revenues:</u>		
Water Sales	\$ 247,000	
Sewer Sales	130,827	
Service Connections and Bags	26,100	
Total Charges for Services		\$ 403,927
Other Income		20,866
Total Operating Revenue		\$ 424,793
 <u>Operating Expenses:</u>		
Personal Services	\$ 210,033	
Materials and Supplies	100,378	
Other Services and Charges	65,956	
Depreciation	112,195	
Total Operating Expenses		488,562
Operating (Loss)		(\$ 63,769)
 <u>Non-Operating Revenue (Expense):</u>		
Capital Grant	\$ 74,500	
Interest Earned	19,637	
Interest on Revenue Bonds	(30,131)	
Interest Expense - Notes	(13,276)	
Total Non-Operating Revenue (Expense)		50,730
 <u>Change in Net Assets of Business Type Activities</u>		 <u>(\$ 13,039)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Water - Sewer Fund
Cash Flows From Operating Activities:	
Receipts From Customers	\$ 430,605
Payments To Suppliers	(163,579)
Payments To Employees	(205,320)
Other Receipts (Payments)	<u>6,045</u>
Cash Provided by Operating Activities:	\$ 67,751
Cash Flows From Capital and Related Financing Activities:	
Proceeds From Capital Debt	\$ 958,654
Capital Contributions	74,500
Purchase Of Capital Assets	(577,129)
Principal Paid On Capital Debt	(514,767)
Interest Paid On Capital Debt	<u>(54,683)</u>
Net Cash (used) By Capital And Related Financing Activities	(113,425)
Cash Flows From Investing Activities:	
Interest	<u>\$ 21,224</u>
Net Increase In Investing Activities:	<u>21,224</u>
Net Increase In Cash and Cash Equivalents	(24,450)
Cash and Cash Equivalents-September 30, 2007	<u>648,937</u>
Cash and Cash Equivalents-September 30, 2008	<u>\$ 624,487</u>
Reconciliation of Operating (Loss) To Net Cash (Used) By Operating Activities	
Operating Loss	(\$ 63,769)
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation Expense	112,195
Change In Assets And Liabilities:	
Receivables-Net	5,812
Accounts and Other Payables	8,800
Accrued Expenses	<u>4,713</u>
Net Cash Provided By Operating Activities	<u>\$ 67,751</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Guntown, Mississippi was incorporated under the laws of the State of Mississippi and operates under the Mayor - Board of Aldermen form of government and provides services authorized by its charter granted in 1850.

The accounting and reporting framework and the more significant accounting principles and practices of Guntown are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2008.

The accompanying financial statements of the Town have been prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

GASB Statement No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to analysis the private sector provides in their annual report.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon after.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government and its directly presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of individual functions are compared to the revenues generated by the function (for instance, through user charges or intergovernment grants).

Budgetary Comparison Schedules - Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the Town as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-Wide Statement of Net Assets, the governmental activities column is presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Government-Wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, Public Works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenue, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Police, Fire, Public Works, etc.). The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

The net cost (by function) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government column of the government-wide presentation.

The focus of the Statement No. 34 model is on the Town as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual funds of the governmental activities and the fiduciary funds. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

3. BASIS OF PRESENTATION

Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Funds that meet these criteria are labeled as such.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

4. MAJOR GOVERNMENTAL FUNDS

The measurement focus of the governmental funds (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Town:

- A. General Fund - The General Fund is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.
- B. Special Revenue Fund - The funds (police and fire) are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

5. PROPRIETY FUNDS

Enterprise Funds are used to account for operations:

- A. That are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- B. Or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following is a description of the major proprietary funds of the Town:

Water & Sewer Fund - All revenues and expenses for the Town's public works are located in this fund. This is an enterprise fund.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

6. NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the Government-Wide Statement of Net Assets.

7. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The Government-Wide Statements of Net Assets, statement of activities, and pension trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the balance sheet.

The fund financial statements are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year end. Levies that are made prior to the fiscal year end, but are not available, are deferred. Interest income is recorded as earned.

Federal and State reimbursement type grants are recorded as revenue when related eligible expenditures are met. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred. All other revenue items reported in the fund financial statements are considered "available" when the cash is received by the Town one year after its fiscal year.

Franchise and utility taxes, state revenue sharing, charges for services, and fines and forfeitures associated with the current period are considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

8. ENCUMBRANCES

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. All encumbrances lapse at year-end; accordingly, no encumbrances were outstanding at September 30, 2008.

9. BUDGETS AND BUDGETARY INFORMATION

The budget is adopted annually by the Mayor and the Board of Aldermen, and subsequent amendments are made during the year on the approval of the Mayor and Board or, when allowed, upon authority of Town management, as described in the following paragraphs.

All funds of the Town of Guntown, Mississippi, governmental and enterprise, are budgeted, and are presented in the accompanying financial statements. For comparison purposes, the final, amended budget is utilized, and it is presented on a cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. All budgetary appropriations lapse at year-end.

The legal level of control, that is the level on which actual expenditures may not legally exceed appropriations, is the major expenditure classifications within departments. Such classifications are personnel services, supplies, other charges, services and capital outlay.

All amendments to the budget to the legal level of control must be approved by the Town of Guntown's mayor and Board of Aldermen. Management is allowed to amend, without governing body approval, any budget "line items;" that is, amounts below the legal level of control.

The expenditure budget adopted and approved by the duly elected members of the governing authority of the Town of Guntown is the appropriation ordinance of said municipality.

As allowed by statute, the expenditure budget was amended and approved by the duly elected members of the governing authority of the Town of Guntown. Such amendments are included in the reported budgetary data.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

10. FUND RESERVES

Reserves reported in the Governmental Funds Balance Sheet are used to indicate that a portion of the fund balance is not appropriable for expenditures or is legally segregated for a specific future use. The Town's reserves are reported in Note 19 IV.

11. CASH AND OTHER DEPOSITS AND CASH EQUIVALENTS

The Town deposits excess funds in the financial institutions selected by the Mayor and Board of Aldermen in accordance with state statutes.

Cash consists of amounts on deposit with a financial institution in non-interest bearing accounts. Other deposits consist of interest-bearing demand accounts, saving accounts and certificates of deposit with maturities of 12 months or less. Cash and other deposits are valued at cost.

Various restrictions on deposits are imposed by state statutes. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

For purposes of the combined statements of cash flows, the municipality considers to be cash equivalents all highly liquid investments and certificates of deposit if they have a maturity of twelve months or less when acquired.

The carrying amount on the Town's deposits with financial institutions was \$794,021 and the bank's balance was \$811,675.

12. INVESTMENTS

The Town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time deposits with any financial institution approved for the deposit of state funds.

13. ACCOUNTS RECEIVABLE

Accounts receivable are reported in the Government-Wide Statement of Net Assets and the Governmental Funds Balance Sheet Net of Allowances for Uncollectible Receivables.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

14. RESTRICTED NET ASSETS

Certain proceeds from bonds, notes, and loans, as well as resources for debt service payments, court services, and public improvement monies are classified as restricted net assets reported on the Government-Wide Statement of Net Assets because their use is limited by applicable bond covenants and restrictions.

15. FIXED ASSETS

In the governmental funds, the cost incurred for the purchase or construction of general fixed assets are recorded as capital outlay expenditures.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the statement of activities.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in retained earnings. The Town has chosen to follow FASB statements and interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncement. The capital assets threshold for the proprietary funds is the same as it is for governmental funds which is described in detail below.

In accordance with GASB Statement No. 34, infrastructure has been capitalized. Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**TOWN OF GUNTOWN, MISSISSIPPI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Capital asset thresholds are generally classified as follows:

Land		N/A
Infrastructure		N/A
Furniture, Vehicles, and Equipment	\$	5,000
Improvements other than Buildings	\$	25,000
Buildings	\$	50,000

Estimated useful lives, in years, for depreciable assets are as follows:

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment (backhoes, dozers, front-end loaders, tractors, etc.)	10 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Buildings	40 years
Infrastructure:	
Roads	20 years
Concrete bridges	50 years
Timber bridges	30 years

16. ACCUMULATED UNPAID VACATION AND SICK TIME

Accumulation of vacation or sick time is not allowed by the Town in excess of the current year's allowance. The time must be used or lost.

17. PROPERTY TAXES

Property held on January 1 of any given year (or brought into the State by March 1 of the same year) is assessed for taxation in the ensuing fiscal year. Such levy, which establishes a lien against the underlying property, is made by the Town in its September board meeting. The assessed value of property on January 1, 2007 upon which the levy was based, was \$6,070,562*. The taxes thus assessed are due and payable as follows:

1 st installment	(50% of liability)	on or before February 1
2 nd installment		on or before May 1
Final installment		on or before August 1

If taxes remain unpaid, the property subject to a tax lien is sold for taxes on the fourth Monday of August.

* This levy does not include automobiles

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

18. CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2008:

	Balance Sept 30, 2007	Additions	Deductions	Balance Sept. 30, 2008
<u>Governmental Activities:</u>				
Non-Depreciable Assets:				
Land	\$ 320,720	\$ 00	\$ 00	\$ 320,720
Depreciable Assets:				
Buildings	\$ 321,194	\$ 00	\$ 00	\$ 321,194
Equipment	130,392	50,604	00	180,996
Motor Vehicles	368,280	6,900	00	375,180
Total Depreciable Assets	<u>\$ 819,866</u>	<u>\$ 57,504</u>	<u>\$ 00</u>	<u>\$ 877,370</u>
Accumulated Depreciation:				
Buildings	\$ 54,617	\$ 6,256	\$ 00	\$ 60,873
Equipment	29,795	20,364	00	50,159
Motor Vehicles	162,264	21,921	00	184,185
Total Accumulated Depreciation	<u>\$ 246,676</u>	<u>\$ 48,541</u>	<u>\$ 00</u>	<u>\$ 295,217</u>
Assets-Net of Depreciation	<u>\$ 893,910</u>			<u>\$ 902,873</u>
<u>Business Type Activities:</u>				
Non-Depreciable Assets:				
Land	\$ 34,878	\$ 00	\$ 00	\$ 34,878
Depreciable Assets:				
Water and Sewer Plant	\$ 3,394,573	\$1,248,260	\$ 00	\$ 4,642,833
Equipment	322,607	7,640	00	330,247
Motor Vehicles	37,898	00	00	37,898
Total Depreciable Assets	<u>\$ 3,755,078</u>	<u>\$1,255,900</u>	<u>\$ 00</u>	<u>\$ 5,010,978</u>
Accumulated Depreciation:				
Water and Sewer Plant	\$ 768,764	\$ 81,931	\$ 00	\$ 850,695
Equipment	151,007	26,327	00	177,334
Motor Vehicles	22,261	3,938	00	26,199
Total Accumulated Depreciation	<u>\$ 942,032</u>	<u>\$ 112,196</u>	<u>\$ 00</u>	<u>\$ 1,054,228</u>
Assets Net of Depreciation	<u>\$ 2,847,924</u>			<u>\$ 3,991,628</u>

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

19. GENERAL LONG-TERM OBLIGATIONS

I. Changes in General Long-Term Obligations

Business-type Activities:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Revenue Bonds:				
1974 Revenue Bonds	\$ 26,888	\$ 00	\$ 9,701	\$ 17,187
1979 Revenue Bonds	18,488	00	9,000	9,488
1987 Revenue Bonds	16,971	00	3,069	13,902
1992 Revenue Bonds	82,472	00	1,908	80,564
2004 Revenue Bonds	572,103	00	8,159	563,944
2008 Revenue Bonds	<u>00</u>	<u>846,000</u>	<u>179,529</u>	<u>666,471</u>
 Total	 <u>\$ 716,922</u>	 <u>\$ 846,000</u>	 <u>\$ 211,366</u>	 <u>\$ 1,351,556</u>

II. Current Outstanding General Long-Term Obligations:

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9-30-2008
Revenue Bonds:					
1974 Revenue Bonds	10-22-74	10-22-10	5.000 %	\$ 160,000	\$ 17,187
1979 Revenue Bonds	1-26-79	1-26-09	5.000	173,000	9,488
1987 Revenue Bonds	7-21-87	7-21-17	7.875	50,000	13,902
1992 Revenue Bonds	11-4-92	11-4-26	5.500	102,000	80,564
2004 Revenue Bonds	6-8-04	6-8-39	4.375	581,000	563,944
2008 Revenue Bonds	7-15-08	7-15-43	4.250	846,000	666,471

III. Summary of Annual Debt Service Requirements to Maturity - Annual Principal & Interest

Revenue Bonds

The Town issues revenue bonds to provide funds for water & sewer improvements.

Year Ending September 30,	Principal	Interest	Total
2009	\$ 53,098	\$ 59,226	\$ 112,324
2010	42,484	56,637	99,121
2011	36,960	54,578	91,538
2012	37,656	52,796	90,452
2013	36,079	51,163	87,242
2014-2018	205,908	230,304	436,212

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Revenue Bonds (cont.)

Year Ending September 30,	Principal	Interest	Total
2019-2023	\$ 255,925	\$ 180,286	\$ 436,211
2024-2028	316,265	117,967	434,232
2029-2033	197,951	55,302	253,253
2034-2038	<u>169,230</u>	<u>24,262</u>	<u>193,492</u>
Total	<u>\$ 1,351,556</u>	<u>\$ 882,521</u>	<u>\$ 2,234,077</u>

IV. The Bond Covenant requires the Town to maintain the following reserves:

Issue Date	Operation and Maintenance	Cushion	Contingent	Depreciation	Total
1974	\$ 00	\$ 7,200	\$ 1,200	\$ 2,400	\$ 10,800
1979	2,250	4,800	2,400	3,600	13,050
1987	00	2,400	1,200	1,200	4,800
1992	00	3,600	1,800	1,800	7,200
2000	80,000	17,607	8,803	8,803	115,213
2004	80,000	4,680	2,352	2,352	89,384
Totals	<u>\$ 162,250</u>	<u>\$ 40,287</u>	<u>\$ 17,755</u>	<u>\$ 20,155</u>	<u>\$ 240,447</u>

V. Current Long Term notes outstanding:

Fund	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9/30/08
Water - Sewer	02/10/08	07/15/28	2.000%	500,000	487,898
Police	01/28/08	12/28/10	10.000	2,716	1,626
Police	03/25/07	03/25/09	7.750	28,227	7,310
Fire	01/26/07	01/26/08	5.590	50,000	41,326
General	02/09/07	02/09/07	4.826	6,685	2,153
General	01/28/08	12/28/10	10.000	2,716	1,495

Amortization of Loans by Fund:

Fund	Year Ending	Principle	Interest	Total
Police Fund	9/30/08	14,109	713	14,822
Police Fund	9/30/09	7,963	102	8,065
General Fund	9/30/08	3,295	576	3,871
General Fund	9/30/09	2,152	79	2,231

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Town		Police		Fire		Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 3,291	\$ 222	\$ 8,847	\$ 292	\$ 41,326	\$ 937	\$ 17,237	\$ 8,819	\$ 70,701	\$ 10,270
2010	189	8	257	8	00	00	21,133	9,220	21,579	9,236
2011	00	00	00	00	00	00	21,559	8,794	21,559	8,794
2012	00	00	00	00	00	00	21,995	8,359	21,995	8,359
2013	00	00	00	00	00	00	22,438	7,915	22,438	7,915
2014-2018	00	00	00	00	00	00	119,170	32,593	119,170	32,593
2019-2023	00	00	00	00	00	00	131,693	20,071	131,693	20,071
2024-2028	00	00	00	00	00	00	132,673	6,272	132,673	6,272
Total	\$ 3,480	\$ 230	\$ 9,104	\$ 300	\$ 41,326	\$ 937	\$ 487,898	\$ 102,043	\$ 541,808	\$ 103,510

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*The 92-11 Bond Covenant requires maintaining the existing Bond Covenant required funds in the amount established under the above bond issues.

The Town has sufficient funds reserved to cover the above requirements.

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the Town is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to 0% of the latest property assessments because revenue bonds are specifically exempted debt.

20. RISK MANAGEMENT

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

21. DEFINED BENEFIT PENSION PLAN

Plan Description - The Town 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 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 is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal year ending June 30, 2008 was \$39,547, which equaled the required contributions for the year.

**TOWN OF GUNTOWN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

22. DISCLOSURE OF LOSS CONTINGENCY

Federal Grants - The Town has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the Town. No provision for any liability that may result has been recognized in the Town's financial statements.

23. PENDING OR THREATENING LITIGATION

The Town's attorney states that there are no pending litigation matters, claims or assessments as of the audit report date.

SUPPLEMENTARY INFORMATION

**TOWN OF GUNTOWN, MISSISSIPPI
RECONCILIATION OF AD VALOREM TAX ASSESSMENTS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Taxable Assessed Value	Mills	Tax
<u>Assessed Valuation and Millage:</u>			
Real Property	\$ 5,207,234	26.5	\$ 137,992
Personal Property	863,328	26.5	22,878
Automobiles and Mobile Homes	<u>2,068,566</u>	<u>26.5</u>	<u>54,817</u>
Total Assessment	<u>\$ 8,139,128</u>	<u>26.5</u>	<u>\$ 215,687</u>
 <u>Adjustments:</u>			
Homestead Exemption Loss			(\$ 16,259)
Tax Collector's Fees			(5,635)
Homestead Reimbursement			<u>4,386</u>
 Total to Account For			 <u>\$ 198,179</u>
 <u>Collections Credited to Funds:</u>			
General Fund			\$ 139,871
Police Fund			49,057
Fire Fund			<u>15,096</u>
Total Collections			<u>\$ 204,024</u>
 <u>Adjustments:</u>			
2008 Settled in 2009			3,744
2007 Settled in 2008 Fiscal Year			(6,616)
Penalty and Interest			<u>(1,108)</u>
Total Accounted For			<u>\$ 200,044</u>
 Balance Represented By:			
Tax Overcollected			<u>\$ 1,865</u>

**TOWN OF GUNTOWN
SCHEDULE OF SURETY BONDS
SCHEDULE D-2
SEPTEMBER 30, 2008**

<u>Name</u>	<u>Position</u>	<u>Company</u>		<u>Bond</u>
Jimmy Anderson	Mayor	USF&G	\$	50,000
Jimmy Anderson	Mayor	Travelers Insurance		25,000
Shelly McKee	Clerk	USF&G		105,000
Kurt Olsen	Police Chief	Fidelity & Deposit		50,000
Tonya Vandevander	Deputy Clerk	Fidelity & Deposit		10,000
Lois Patton	Court Clerk	St. Paul Travelers		25,000
Nickola Wright	Police	St. Paul Travelers		25,000
Nathan Lowe	Police	St. Paul Travelers		25,000
Mark Underwood	Police	St. Paul Travelers		25,000
Greg Jackson	Police	St. Paul Travelers		25,000
Petey Hopkins	Alderman	Travelers Insurance		10,000
Greg Cagle	Alderman	Travelers Insurance		10,000
Wayne Phelps	Alderman	Travelers Insurance		10,000
Carolyn Floyd	Alderman	Travelers Insurance		10,000
Ronny Lindsey	Alderman	Travelers Insurance		10,000

Land Sonnier

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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*

Board of Aldermen
Town of Guntown, Mississippi

We have audited the accompanying financial statements of the governmental activities and business-type activities, and each major fund information of Town of Guntown, Mississippi as of and for the year ended September 30, 2008 which collectively comprise the Town of Guntown, Mississippi's basic financial statements and have issued our report thereon dated January 27, 2009. 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 Town of Guntown, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Guntown'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 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 Town of Guntown'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 Town of Guntown's financial statements that is more than inconsequential will not be prevented or detected by Town of Guntown's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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 Town of Guntown's internal control.

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 to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Guntown, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. We did not find instances of noncompliance. Reportable conditions are described in the accompanying schedule of findings and questionable costs as finding I, II, and III.

Town of Guntown's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Guntown's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Land Sonnier, P. A.
Certified Public Accountants
Tupelo, Mississippi
January 27, 2009

**TOWN OF GUNTOWN, MISSISSIPPI
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

- FINDING I: Internal Control - There is not adequate separation of duties in the administrative office due to the fact that the administrative personnel consists of two deputy clerks.
- RECOMMENDATION: Recognizing the fact of limited staff in the administrative office, we recommend separation of duties to the fullest extent possible.
- RESPONSE: The Mayor, Clerk, and Town Board will become more involved in oversight and separation of duties.
- FINDING II: Transfer of funds from the water and sewer fund to the special revenue fund can be made to other funds in accordance with MS Code Sec. 21-27-03; 21-27-59 and 21-27-61. Prior transfers to the special revenue fund under MS Code 21-27-19 is not allowable.
- RECOMMENDATION: We recommend that transfers from the water and sewer fund to other funds be made in accordance with MS Code Sec. 21-27-03, 21-27-59 or 21-27-61, and that prior year transfers from the water and sewer fund be transferred back to the water and sewer fund if not made under allowable MS Code sections.
- RESPONSE: The town will repay the water and sewer fund.
- FINDING III: Related Party - Town officials received discounted utility bills for service on the utility board. The total amount of discounts amounted to \$1,624.00 for the fiscal year ending September 30, 2008.
- RECOMMENDATION: We recommend that the city officials reimburse the Town's water and sewer fund for this amount plus any amount for prior years.
- RESPONSE: The Mayor and Town Board will repay the water and sewer discounts for all prior years.

**TOWN OF GUNTOWN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities (Loan)	10-760		\$ 846,000
U. S. Department of Homeland Security: FEMA Urban Areas Security Initiative 2007 Assistance to Fire Fighters Grant	97-008	EMW2007 F00117	44,597
U. S. Department of Health and Human Services: Preventative Health and Health Services Flouridation Grant	93-991	3B01DP009032 08W1	36,000
U. S. Department of Justice: Edward Byrne Memorial Justice Assistance Grant Program	16-738	056B	2,249

Note A: Significant Accounting Policies

Federal Grants are recorded as revenue when eligible expenditures are met. Federal loans are recorded as revenue when the loan funds are received.

Federal expenditures in this statement include a Federal loan received in the fiscal year ended September 30, 2008.

**TOWN OF GUNTOWN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Note B: Expenditures

	Receipts	Expenditures
Per Schedule of Expenditures of Federal Awards	\$ 928,846	\$ 928,846
Matching Funds FEMA Grant	00	2,354
Additional Expenditures by the Town to the U. S. Department of Agriculture loan for water system expansion	00	<u>\$ 309,466</u>
Total Federal and Local Expenditures		<u>\$ 1,240,666</u>

Land Sonnier

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAW AND REGULATIONS


Mayor and Board of Aldermen
Town of Guntown, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Guntown, Mississippi as of and for the year ended September 30, 2008, and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion of the Town's compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Land Sonnier, P. A.
Certified Public Accountants
Tupelo, Mississippi
January 27, 2009