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FINANCIAL REPORT

TOWN OF MANTACHIE, MISSISSIPPI

Year Ended September 30, 2008

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of September 30, 2008, and for the year then ended, which collectively comprise the Town's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mantachie, Mississippi's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

The Town of Mantachie, Mississippi does not maintain complete and adequate subsidiary records documenting the existence, completeness and valuation of the fixed assets included in the governmental activities or the business-type activities. Due to the lack of adequate subsidiary records, we were unable to satisfy ourselves as to the fair presentation of the fixed assets reported in the governmental activities or the business-type activities of the Town of Mantachie, Mississippi at September 30, 2008.

In our opinion, except for the fact that many fixed assets have not been reported as referred to in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi as of September 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2009, on our consideration of the Town of Mantachie, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
June 16, 2009

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2008

This section of the Town of Mantachie's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2008. The information contained in this Management Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town has adopted the provisions of Governmental Auditing Standards Board Statements No. 34, No. 37, No. 38, and Interpretation No. 6 in the year ended September 30, 2004.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,951,154. Of this amount, \$439,339 may be used to meet the Town of Mantachie's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Mantachie's governmental funds reported combined ending fund balances of \$1,114,762, an increase of \$12,944 in comparison to the prior year. Approximately 14% of the combined fund balances, \$156,990 is considered unreserved and is available for spending at the Town of Mantachie discretion.
- The Town of Mantachie's total debt is \$1,332,140, an increase of \$445,624 from the prior year, related to a revenue bond issued during the year for water and sewer improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-1

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

	Government-wide Statements	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 and Sewer System.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

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

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

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

Fund Financial Statements

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

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

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Mantachie has two kinds of funds:

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The Town of Mantachie's assets exceeded liabilities by \$2,951,154 at the close of the most recent fiscal year.

A large portion, 53% and 55%, of the Town's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2008 and 2007, respectively. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table A-1

Town of Mantachie's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/08	Total 9/30/07
Current and Other Assets	\$ 1,171,319	\$ 309,776	\$ 1,481,095	\$ 1,413,565
Noncurrent Assets	378,878	2,507,365	2,886,243	2,548,198
Total Assets	<u>1,550,197</u>	<u>2,817,141</u>	<u>4,367,338</u>	<u>3,961,763</u>
Current and Other Liabilities	14,963	50,109	65,072	60,982
Long-Term Liabilities	0	1,351,112	1,351,112	903,389
Total Liabilities	<u>14,963</u>	<u>1,401,221</u>	<u>1,416,184</u>	<u>964,371</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	378,878	1,175,165	1,554,043	1,661,622
Restricted	957,772	0	957,772	954,276
Unrestricted	198,584	240,755	439,339	381,494
Total Net Assets	<u>\$ 1,535,234</u>	<u>\$ 1,415,920</u>	<u>\$ 2,951,154</u>	<u>\$ 2,997,392</u>

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The \$198,584 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 \$240,755 at the end of the current fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The Town of Mantachie generally can only use these net assets to finance the continuing operations of the business type activities.

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net assets: Approximately 27.69% of the Town of Mantachie's revenue comes from sales tax allocation. (See Table A-2.) This compares to 30.61% for the fiscal year ended September 30, 2007. Another 59.40% comes from fees charged for services, 4.80% from operating and capital grants and contributions, and the balance is from investment earnings and other miscellaneous receipts. This compares to 59.54% and 0% for the fiscal year ended September 30, 2007.

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

Table A-2

Changes in the Town of Mantachie's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/08	Total 9/30/07
Revenues				
Program Revenues:				
Charges for Services	\$ 110,787	\$ 290,342	\$ 401,129	\$ 335,297
Operating Grants & Contributions	32,379	0	32,379	4,992
Capital Grants & Contributions	0	0	0	0
General Revenues:				
Sales Tax Allocation	186,969	0	186,969	172,371
Investment Income	9,946	2,805	12,751	6,824
Other	42,101	0	42,101	43,693
Total Revenues	382,182	293,147	675,329	563,177
Expenses				
General Government	103,865	0	103,865	127,278
Public Safety	199,091	0	199,091	165,569
Public Works	47,025	0	47,025	46,103
Culture & Recreation	22,336	0	22,336	24,045
Water and Sewer System	0	349,250	349,250	298,174
Total Expenses	372,317	349,250	721,567	661,169
Excess of Revenue Over Expenses	9,865	(56,103)	(46,238)	(97,992)
Transfers	0	0	0	0
Increase (Decrease) in Net Assets	9,865	(56,103)	(46,238)	(97,992)
Net Assets—Beginning	1,525,369	1,472,023	2,997,392	3,095,384
Net Assets—Ending	\$ 1,535,234	\$ 1,415,920	\$ 2,951,154	\$ 2,997,392

TOWN OF MANTACHIE, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net assets by \$9,865. Key elements of this increase are as follows:

The largest funding sources for the Town's governmental activities, as a percent of total revenues, are sales tax allocation (49%), charges for services (29%) and other grants & contributions (8%).

The largest expense category for the Town's governmental activities is public safety (53%).

Business-type Activities

Business-type activities decreased the Town's net assets by \$56,103.

Charges for services are the major revenue categories for the enterprise funds. The business-type revenues are comprised of \$290,342 for water and sewer system.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$156,990, 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 46% of total fund expenditures. The fund balance increased by \$9,448 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$957,772, which will be used for future expenditures.

Proprietary Funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$1,415,920.

TOWN OF MANTACHIE, 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 2007-2008 general fund operating budget increased by approximately \$2,200 during the current fiscal year. This increase was primarily related to an increase in capital outlay for construction projects related to the grant funds that were to be received. Therefore, the increase in expenditures was covered with increases in income.

The Town has no tax millage for the 2008 fiscal year. The Town has never assessed any form of property tax on the citizens of the Town.

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, amounted to \$2,886,243, net of accumulated depreciation of \$2,301,226. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

Town of Mantachie's Capital Assets

	Governmental Activities	Business-Type Activities	Total 9/30/08	Total 9/30/07
Land	\$ 103,606	\$ 8,000	\$ 111,606	\$ 111,606
Plant, Buildings & Improvements	298,963	4,555,694	4,854,657	4,082,651
Machinery & Equipment	189,904	17,942	207,846	300,162
Infrastructure	13,300	0	13,300	13,300
Construction in Progress	0	0	0	292,940
Accumulated Depreciation	(226,895)	(2,074,331)	(2,301,226)	(2,252,521)
Total	\$ 378,878	\$ 2,507,305	\$ 2,886,183	\$ 2,548,138

Long-term Debt—At year-end, the Town had \$1,332,140 in bonds and notes outstanding. More detailed information about the Town of Mantachie's long-term liabilities is presented in the notes to the financial statements.

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

Table A-4

Town of Mantachie's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total 9/30/08	Total 9/30/07
Promissory Notes	\$ 0	\$ 1,332,140	\$ 1,332,140	\$ 886,516
Total	\$ 0	\$ 1,332,140	\$ 1,332,140	\$ 886,516

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 operations are \$343,100. This budget reflects a decrease of approximately \$6,100. The decrease is primarily related to general government in the current fiscal year.

**CONTACTING THE TOWN OF MANTACHIE
FINANCIAL MANAGEMENT**

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash on Deposit	\$ 201,690	\$ 225,314	\$ 427,004
Money Market, CD's	105,350	56,324	161,674
Accounts Receivable	68,883	28,124	97,007
Due from Other Funds	-	14	14
Notes Receivable	795,396	-	795,396
TOTAL CURRENT ASSETS	<u>1,171,319</u>	<u>309,776</u>	<u>1,481,095</u>
Noncurrent Assets:			
Utility Deposits	-	60	60
Capital Assets:			
Land	103,606	8,000	111,606
Plant, Buildings and Improvements	298,963	4,555,694	4,854,657
Machinery and Equipment	189,904	17,942	207,846
Infrastructure	13,300	-	13,300
Construction in Progress	-	-	-
Accumulated Depreciation	(226,895)	(2,074,331)	(2,301,226)
TOTAL NONCURRENT ASSETS	<u>378,878</u>	<u>2,507,365</u>	<u>2,886,243</u>
TOTAL ASSETS	<u>\$ 1,550,197</u>	<u>\$ 2,817,141</u>	<u>\$ 4,367,338</u>

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, 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	\$ 14,949	\$ 14,571	\$ 29,520
Due to Other Funds	14	-	14
Current Maturities of Long-Term Debt	-	35,538	35,538
TOTAL CURRENT LIABILITIES	14,963	50,109	65,072
Noncurrent Liabilities:			
Refundable Meter Deposits	-	54,510	54,510
Notes Payable, net of current maturities	-	1,296,602	1,296,602
TOTAL NONCURRENT LIABILITIES	-	1,351,112	1,351,112
TOTAL LIABILITIES	14,963	1,401,221	1,416,184
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	378,878	1,175,165	1,554,043
Restricted for:			
Special Revenue Projects	957,772	-	957,772
Unrestricted	198,584	240,755	439,339
TOTAL NET ASSETS	\$ 1,535,234	\$ 1,415,920	\$ 2,951,154

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, 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
PRIMARY GOVERNMENT						
Government Activities:						
General Government	\$ 103,865	\$ -	\$ -	\$ -	(103,865)	\$ -
Public Safety	199,091	49,859	32,379	-	(116,853)	-
Public Works	47,025	47,947	-	-	922	-
Culture and Recreation	22,336	12,981	-	-	(9,355)	-
Debt Service	-	-	-	-	-	(9,355)
TOTAL GOVERNMENTAL ACTIVITIES	372,317	110,787	32,379	-	(229,151)	-
Business-Type Activities:						
Water & Sewer System	349,250	290,342	-	-	(58,908)	-
TOTAL BUSINESS-TYPE ACTIVITIES	349,250	290,342	-	-	(58,908)	-
TOTAL PRIMARY GOVERNMENT	\$ 721,567	\$ 401,129	\$ 32,379	\$ -	(229,151)	\$ (58,908)

GENERAL REVENUES:

Taxes:		
Sales Taxes	\$ 186,969	\$ -
Licenses and Permits	4,149	-
In Lieu Taxes	26,922	-
Intergovernmental Revenues	9,357	-
Investment Earnings	9,946	2,805
Miscellaneous	1,673	-
Transfers (to)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	239,016	2,805
CHANGE IN NET ASSETS	9,865	(56,103)
NET ASSETS--BEGINNING	1,525,369	1,472,023
NET ASSETS--ENDING	\$ 1,535,234	\$ 1,415,920

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

	General Fund	Home Grant Fund	Other Governmental Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash on Deposit	\$ 39,314	\$ 144,799	\$ 17,577	\$ 201,690
Money Market, CD's	105,350	-	-	105,350
Accounts Receivable	27,289	-	-	27,289
Notes Receivable	-	795,396	-	795,396
TOTAL ASSETS	\$ 171,953	\$ 940,195	\$ 17,577	\$ 1,129,725
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Accounts Payable and Accrued Expenses	\$ 14,949	\$ -	\$ -	\$ 14,949
Due to Other Funds	14	-	-	14
TOTAL LIABILITIES	14,963	-	-	14,963
<u>FUND BALANCES:</u>				
Unrestricted:				
Special Revenue Funds	-	940,195	17,577	957,772
Undesignated	156,990	-	-	156,990
TOTAL FUND BALANCES	\$ 156,990	\$ 940,195	\$ 17,577	\$ 1,114,762

See Accompanying Notes to the Financial Statements.

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

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,114,762
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.	378,878
Accrual of court fine revenues to qualify as financial resources.	<u>41,594</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,535,234</u>

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	General Fund	Home Grant Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:				
Sales and Use Taxes	\$ 186,969	\$ -	\$ -	\$ 186,969
Privilege Taxes	3,111	-	-	3,111
Licenses and Permits	1,038	-	-	1,038
In Lieu of Taxes	26,922	-	-	26,922
Intergovernmental Revenues	3,624	-	5,733	9,357
Garbage Services	47,947	-	-	47,947
City Park Fees and Concessions	12,981	-	-	12,981
Fines and Forfeits	33,911	-	-	33,911
Interest Revenues	7,607	2,263	76	9,946
Grant Income	32,379	-	-	32,379
Miscellaneous Revenues	1,648	-	25	1,673
TOTAL REVENUES	<u>358,137</u>	<u>2,263</u>	<u>5,834</u>	<u>366,234</u>
EXPENDITURES:				
Current:				
General Government	101,684	-	-	101,684
Public Safety	169,910	28	7,647	177,585
Public Works	47,025	-	-	47,025
Culture and Recreation	15,456	-	-	15,456
Capital Projects	8,614	-	2,926	11,540
TOTAL EXPENDITURES	<u>342,689</u>	<u>28</u>	<u>10,573</u>	<u>353,290</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,448</u>	<u>2,235</u>	<u>(4,739)</u>	<u>12,944</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt Issued				-
Transfers (to) from Other Funds	(6,000)	-	6,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	9,448	2,235	1,261	12,944
FUND BALANCES - Beginning	<u>147,542</u>	<u>937,960</u>	<u>16,316</u>	<u>1,101,818</u>
FUND BALANCES - Ending	<u>\$ 156,990</u>	<u>\$ 940,195</u>	<u>\$ 17,577</u>	<u>\$ 1,114,762</u>

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	12,944
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.		11,540
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.		(30,567)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		<u>15,948</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>9,865</u></u>

See Accompanying Notes to the Financial Statements.

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

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Sales and Use Taxes	\$ 180,000	\$ 185,000	\$ 185,832	\$ 832
Licenses and Permits	3,100	4,000	4,149	149
In Lieu of Taxes	23,500	23,500	26,173	2,673
Intergovernmental Revenues	4,300	4,300	3,624	(676)
Charges for Services	60,500	60,800	61,004	204
Fines and Forfeits	24,400	33,500	33,911	411
Interest Revenues	2,000	2,200	7,607	5,407
Grant Income	15,000	30,000	30,887	887
Miscellaneous Revenues	1,000	1,500	1,648	148
TOTAL REVENUES	<u>313,800</u>	<u>344,800</u>	<u>354,835</u>	<u>10,035</u>
EXPENDITURES:				
Current:				
General Government	113,500	95,300	101,684	(6,384)
Public Safety	149,000	185,000	169,910	15,090
Public Works	48,000	49,000	47,025	1,975
Culture and Recreation	17,500	19,900	15,456	4,444
Capital Projects	19,000	-	8,614	(8,614)
TOTAL EXPENDITURES	<u>347,000</u>	<u>349,200</u>	<u>342,689</u>	<u>6,511</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(33,200)</u>	<u>(4,400)</u>	<u>12,146</u>	<u>16,546</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuances	-	-	-	-
Transfers (to) from Other Funds	(6,000)	(6,000)	(6,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ (39,200)</u>	<u>\$ (10,400)</u>	<u>\$ 6,146</u>	<u>\$ 16,546</u>

See Accompanying Notes to the Financial Statements.

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

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Interest Revenues	\$ -	\$ 2,200	\$ 2,263	\$ 63
Housing Repayment Funds	2,900	55,000	-	-
Miscellaneous Revenues	-	-	-	-
TOTAL REVENUES	<u>2,900</u>	<u>57,200</u>	<u>2,263</u>	<u>63</u>
EXPENDITURES:				
Current:				
General Government	500	500	28	472
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>	<u>28</u>	<u>472</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,400</u>	<u>56,700</u>	<u>2,235</u>	<u>535</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuances	-	-	-	-
Transfers (to) from Other Funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ 2,400</u>	<u>\$ 56,700</u>	<u>\$ 2,235</u>	<u>\$ 535</u>

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
COMPARATIVE STATEMENT OF NET ASSETS-PROPRIETARY FUND
September 30, 2008 and 2007

	Water and Sewer System	
ASSETS	September 30, 2008	September 30, 2007
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 225,314	\$ 194,488
Money Market, CD's	56,324	54,546
Accounts Receivable	28,124	24,177
Due from Other Funds	14	-
	309,776	273,211
Total Current Assets		
FIXED ASSETS:		
Water and Sewer Plant and System	4,573,636	3,905,486
Land	8,000	8,000
Construction in Progress	-	292,940
Less: Accumulated Depreciation and Amortization	(2,074,331)	(2,056,193)
	2,507,305	2,150,233
Net Fixed Assets		
OTHER ASSETS:		
Meter Deposits	60	60
Total Assets		
	\$ 2,817,141	\$ 2,423,504
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,654	\$ 11,160
Accrued Interest	1,560	1,706
Accrued Taxes	7,357	1,412
Current Portion of Long-term Debt	35,538	33,814
	50,109	48,092
Total Current Liabilities		
LONG-TERM DEBT, less current portion	1,296,602	852,702
REFUNDABLE METER DEPOSITS	54,510	50,687
NET ASSETS	1,415,920	1,472,023
Total Liabilities and Net Assets		
	\$ 2,817,141	\$ 2,423,504

See Accompanying Notes to the Financial Statements.

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

	Totals	
	2008	2007
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 290,342	\$ 251,072
Total Operating Revenues	290,342	251,072
Less: Water Purchased	36,816	-
Net Income Before Operating Expenses	253,526	251,072
<u>OPERATING EXPENSES</u>		
Personal Services	63,442	60,830
Contractual Services	38,775	35,104
Supplies	12,668	20,998
Other Services and Charges	44,469	36,873
Depreciation	122,457	111,841
Total Operating Expenses	281,811	265,646
Operating Income (Loss)	(28,285)	(14,574)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Income	2,805	3,054
Grant Income	-	-
Interest Expense	(30,623)	(32,528)
Transfers In (Out)	-	11,123
Total Non Operating Revenues (Expenses)	(27,818)	(18,351)
Net Income (Loss)	(56,103)	(32,925)
Retained Earnings October 1,	1,472,023	1,504,948
Retained Earnings September 30,	\$ 1,415,920	\$ 1,472,023

See Accompanying Notes to the Financial Statements.

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

	Totals	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 290,206	\$ 264,788
Cash Payments for Personal Services	(63,005)	(61,487)
Cash Payments for Contractual Services	(38,775)	(38,295)
Cash Payments for Supplies	(12,668)	(19,421)
Cash Payments for Other Services	(81,285)	(34,055)
	94,473	111,530
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Notes	(33,905)	(30,551)
Interest Paid on Bonds and Notes Payable	(30,769)	(34,123)
Proceeds from Issuance of Bonds Payable	479,529	292,940
Fixed Asset Additions	(479,529)	(309,667)
	(64,674)	(81,401)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers In (Out)	-	11,123
	-	11,123
CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest on Investments	2,805	3,054
	32,604	44,306
Net Increase (Decrease) in Cash		
Cash at Beginning of Year	249,034	204,728
Cash at End of Year	\$ 281,638	\$ 249,034
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (28,285)	\$ (14,574)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	122,457	111,841
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(3,959)	1,784
Increase (Decrease) in Accounts Payable - Operating	(5,508)	5,077
Increase (Decrease) in Accrued Taxes	5,945	(655)
Increase (Decrease) in Member Deposits	3,823	8,057
	94,473	111,530
Net Cash Provided by Operating Activities	\$ 94,473	\$ 111,530

See Accompanying Notes to the Financial Statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The Town reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

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

The Town reports the following major proprietary funds:

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

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water, charges for sewer treatment and sale of gas. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Included within the reporting entity:

Town of Mantachie water and sewer system. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water and sewer debt remains with the government.

Change in Method of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

Budgets and Budgetary Accounting

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted.
- (5) Between September 1st-15th the budget must be adopted.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection.

Further, budgets are used as management control devices in the General, Special Revenue and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the governmental fund types budget revenues on the cash basis in accordance with Mississippi law and the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Cash and Investments

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

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

Estimates

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

Comparative Data

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

Encumbrances

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES - continued

Statement of Cash Flows

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

Business Information

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

NOTE 2 - FIXED ASSETS

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

Primary Government:

	Balance <u>10-01-07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>09-30-08</u>
Capital Assets, not being depreciated:				
Land	\$ 103,606	\$ 0	\$ 0	\$ 103,606
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	<u>103,606</u>	<u>0</u>	<u>0</u>	<u>103,606</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	298,963	0	0	298,963
Infrastructure	13,300	0	0	13,300
Machinery and Equipment	<u>178,364</u>	<u>11,540</u>	<u>0</u>	<u>189,904</u>
Total Capital Assets being depreciated	490,627	11,540	0	502,167
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(68,703)	(9,486)	0	(78,189)
Machinery and Equipment	(118,315)	(21,081)	0	(139,396)
Infrastructure	<u>(9,310)</u>	<u>0</u>	<u>0</u>	<u>(9,310)</u>
Total Accumulated Depreciation	(196,328)	(30,567)	0	(226,895)
Total Capital Assets, depreciated, net Governmental Activities	<u>294,299</u>	<u>(19,027)</u>	<u>0</u>	<u>275,272</u>
Capital Assets, net	<u>\$ 397,905</u>	<u>\$ (19,027)</u>	<u>\$ 0</u>	<u>\$ 378,878</u>

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

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

NOTE 2 - FIXED ASSETS - continued

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

	<u>Balance</u> 10-01-07	<u>Additions</u>	<u>Adjustments /</u> <u>Disposals</u>	<u>Balance</u> 09-30-08
Capital Assets, not being depreciated:				
Land	\$ 8,000	\$ 0	\$ 0	\$ 8,000
Construction in Progress	<u>292,940</u>	<u>0</u>	<u>292,940</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	300,940	0	292,940	8,000
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	3,783,688	772,469	463	4,555,694
Machinery and Equipment	<u>121,798</u>	<u>0</u>	<u>103,856</u>	<u>17,942</u>
Total Capital Assets being depreciated	3,905,486	772,469	104,319	4,573,636
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,951,284)	(118,950)	463	(2,069,771)
Machinery and Equipment	<u>(104,909)</u>	<u>(3,507)</u>	<u>103,856</u>	<u>(4,560)</u>
Total Accumulated Depreciation	<u>(2,056,193)</u>	<u>(122,457)</u>	<u>104,319</u>	<u>(2,074,331)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>1,849,293</u>	<u>650,012</u>	<u>0</u>	<u>2,499,305</u>
Capital Assets, net	<u>\$ 2,150,233</u>	<u>\$ 650,012</u>	<u>\$ 292,940</u>	<u>\$ 2,507,305</u>

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

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

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

Governmental Activities:	
General Government	\$ 2,181
Public Safety	21,506
Public Works	0
Culture & Recreation	<u>6,880</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 30,567</u>

*Depreciation expense for Water and Sewer \$ 122,457

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

NOTE 3 - NOTES PAYABLE/LONG-TERM DEBT

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

Notes Payable-Long Term Debt at 10/01/07	\$ 886,516
Notes Payable-Issued during the year	479,529
Notes Payable-Retired during the year	<u>(33,905)</u>
Notes Payable-Long Term Debt at 09/30/08	<u>\$ 1,332,140</u>

Notes Payable-Long Term Debt at September 30, 2008 is comprised of the following:

Farmers Home Administration note due in monthly payments of \$383 through March 2011; interest rate 5%	\$ 9,413
Farmers Home Administration note due in monthly payments of \$806 through May 2012; interest rate 8-5/8%	30,938
Farmers Home Administration note due in monthly payments of \$658 through August 2021; interest rate 5-7/8%	67,511
Farmers Home Administration note due in monthly payments of \$1,459 through February 2012; interest rate 5%	62,863
Farmers Home Administration note due in annual payments of \$25,000 through August 2038; interest rate 5%. Payments of interest only through August 2006. Annual payments of \$25,000 began in August 2007.	388,946
Farmers Home Administration note due in annual payments of \$57,603 for 35 years; interest rate 4.25%. Payments of interest only for first two years. Bond has not been closed as of September 30, 2008 and payments have not started.	<u>772,469</u>
	<u>\$ 1,332,140</u>

The annual requirements to amortize all debt outstanding as of September 30, 2008 including interest payments of \$426,037 are as follows:

<u>Year Ending September 30,</u>	<u>Proprietary Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2009	35,838	28,837
2010	37,988	26,686
2011	36,468	24,443
2012	33,548	22,351
2013	11,572	21,326
2014-2018	68,016	96,474

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

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

<u>Year Ending September 30,</u>	<u>Proprietary Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2019-2023	66,248	77,038
2024-2028	63,324	61,676
2029-2033	80,820	44,180
2034-2038	103,148	21,851
2039-2043	<u>795,170</u>	<u>1,175</u>
	<u>\$ 1,332,140</u>	<u>\$ 426,037</u>

NOTE 4 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the Town of Mantachie is required to contribute at an actuarially determined rate. The current rate is 11.85%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Mantachie contributions to PERS for the years ending September 30, 2008, 2007 and 2006 were \$35,926, \$29,642, and \$27,033, respectively, equal to the required contributions for each year.

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

NOTE 5 - BUDGET / GAAP RECONCILIATION

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

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

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

	<u>General Fund</u>
Budget (Cash Basis)	\$ 6,146
Increase (Decrease) Net adjustments for revenue accruals	3,302
GAAP Basis	\$ 9,448

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Supplies	5,300	5,849	549
Other Services and Charges	58,000	65,160	7,160

NOTE 7 – COMMITMENTS

On July 3, 2007 the Town of Mantachie approved the issuance of an interest bearing combined Water and Sewer system revenue bond of \$1,012,000 for water and sewer improvement. The bond is to be paid over 35 years with an interest rate of 4.25%. The construction project has been awarded to Kajacs Construction Company with a bid of \$918,964. As of September 30, 2008 there have been disbursements made totaling \$772,469.

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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Sales and Use Taxes	\$ 185,000	\$ 185,832	\$ 832
Licenses and Permits	4,000	4,149	149
In Lieu of Taxes	23,500	26,173	2,673
Intergovernmental Revenues	4,300	3,624	(676)
Charges for Services:	60,800	61,004	204
Fines and Forfeitures	33,500	33,911	411
Interest Revenues	2,200	7,607	5,407
Grant Income	30,000	30,887	887
Miscellaneous Revenues	1,500	1,648	148
TOTAL REVENUES	\$ 344,800	\$ 354,835	\$ 10,035
EXPENDITURES:			
General Government:			
Personal Services	\$ 32,000	\$ 30,675	\$ 1,325
Supplies	5,300	5,849	(549)
Other Services and Charges	58,000	65,160	(7,160)
Total	95,300	101,684	(6,384)
Total General Government	95,300	101,684	(6,384)
Public Safety:			
Police and Fire Department:			
Personal Services	128,000	127,870	130
Contractual Services	6,000	-	6,000
Supplies	1,000	168	832
Other Services and Charges	50,000	41,872	8,128
Capital Outlay	-	8,614	(8,614)
Total	185,000	178,524	6,476
Total Public Safety	185,000	178,524	6,476
Public Works:			
Street and Sanitation Department:			
Contractual Services	48,000	47,025	975
Other Services and Charges	1,000	-	1,000
Total	49,000	47,025	1,975
Total Public Works	\$ 49,000	\$ 47,025	\$ 1,975

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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture & Recreation:			
Parks and Recreation:			
Personal Services	\$ 6,000	\$ 5,702	\$ 298
Supplies	3,400	1,888	1,512
Other Services and Charges	<u>10,500</u>	<u>7,866</u>	<u>2,634</u>
Total	<u>19,900</u>	<u>15,456</u>	<u>4,444</u>
Total Culture & Recreation	<u>19,900</u>	<u>15,456</u>	<u>4,444</u>
TOTAL EXPENDITURES	<u>349,200</u>	<u>342,689</u>	<u>6,511</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ <u>(4,400)</u>	\$ <u>12,146</u>	\$ <u>16,546</u>
Other Financing Sources (Uses):			
Transfers (to) from Other Funds	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,400)	6,146	16,546
Fund Balance:			
October 1,	<u>147,542</u>	<u>147,542</u>	<u>-</u>
(Non-GAAP Budgetary Basis) September 30,	\$ <u>137,142</u>	153,688	\$ <u>16,546</u>
Adjustments to GAAP Basis:			
Accrued Revenue		<u>3,302</u>	
Fund Balance (GAAP) September 30,		\$ <u>156,990</u>	



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

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MICHAEL LITTLE

OFFICES LOCATED IN
TUPELO, FULTON & AMORY

MEMBERS OF THE
AICPA & MSCPA

**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**

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the Town's basic primary government financial statements, and have issued our report dated June 16, 2009. The auditor's report on the primary government financial statements is qualified on the governmental activities and business-type activities because internal controls over fixed assets were not sufficient to allow us to form an opinion on the amount of fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Mantachie, Mississippi's internal control over financial reporting 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 Mantachie, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Mantachie, 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 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 Mantachie, 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 Mantachie, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the Town of Mantachie, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 08-1, 08-2, 08-3, 08-4, 08-5 and 08-6 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 the Town of Mantachie, Mississippi'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, of the significant deficiencies described above, we consider items 08-1, 08-2, 08-3, 08-4, 08-5 and 08-6 to be a material weakness.

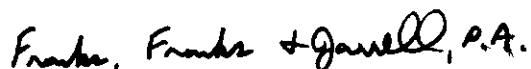
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mantachie, 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-1, 08-4 and 08-6.

We noted certain matters that we reported to management of the Town of Mantachie, Mississippi, in a separate letter dated June 16, 2009.

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

This report is intended solely for the information and use of management, the Board of Alderman, 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.



Franks, Franks & Jarrell, P.A.
June 16, 2009



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

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the general purpose financial statements of Town of Mantachie, Mississippi as of and for the year ended September 30, 2008 and have issued our report dated June 16, 2009. 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 questioned costs as items 08-1, 08-4 and 08-6.

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.
June 16, 2009

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-1:

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

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

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

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

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-2:

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

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

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

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

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-3:

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

Cause of Condition: The Town's system for accounting for the transactions of the Town related to court fines and assessments and park and recreation fees and revenues should continue to be improved. During our audit testing, we noted the court fine receivable listing provided by the Town does not reflect all outstanding amounts due on accounts. We also noted that deposits and other revenues collected from park and recreation activities could not be matched up with deposits on the bank statements.

Recommendation: The Town should take necessary steps to continue to improve the system for accounting for court fines and assessments and park and recreation fees and revenues. The Town should ensure that one complete system is maintained with all fines and collections posted. The Town should ensure all efforts are made to collect the large amount of outstanding court fines. The Town should ensure that all park and recreation fees and revenues are deposited on a timely basis and adequate records are retained to allow reconciliation of receipts to deposits. The Town should also ensure that revenues from concession stand activities are accounted for and deposited into the appropriate bank account in a timely manner.

Response: The Town will implement adequate internal controls over the processing of court fines and assessments and park and recreation fees and revenues of the Town.

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-4:

Criteria: The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor the budget as necessary to ensure all expenditures are within the budgeted amounts.

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 expense budget for the General Government.

Recommendation: The Town should ensure that all expenditures are within the final amended budget amounts. The Town should 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 budget amounts.

Response: The budget shall be reviewed and amended quarterly as needed. No expense shall be paid without prior budget approval. Year end accruals caused the budget overages in the General Government.

**TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008**

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-5:

Criteria: The Town is to maintain adequate documentation of each expenditure made using public funds of the Town.

Cause of Condition: We noted several instances in the General fund and the Park and Recreation bank account where purchases were made but no supporting invoice could be provided to substantiate the expenditure.

Recommendation: The Town should establish internal control procedures with regards to purchasing. The Town should ensure a valid invoice, or other supporting documentation, exists for each disbursement made.

Response: The Town will establish a policy that shall require all expenditures to be supported by and invoice signed by the department head ensuring its validity.

**TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008**

FINDING AND SIGNIFICANT DEFICIENCY NO. 08-6:

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 a purchase order procedure which will ensure compliance with purchase laws.

- * - Findings No. 08-1, 08-4 and 08-6 are considered significant deficiencies, material weaknesses and instances of noncompliance with state laws.
- * - Finding No. 08-2, 08-3 and 08-5 are considered significant deficiencies and material weaknesses.
- * - Findings No. 08-1, 08-2, and 08-3 were also prior year findings.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of September 30, 2008, and for the year then ended, which collectively comprise the Town's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mantachie, Mississippi's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

The Town of Mantachie, Mississippi does not maintain complete and adequate subsidiary records documenting the existence, completeness and valuation of the fixed assets included in the governmental activities or the business-type activities. Due to the lack of adequate subsidiary records, we were unable to satisfy ourselves as to the fair presentation of the fixed assets reported in the governmental activities or the business-type activities of the Town of Mantachie, Mississippi at September 30, 2008.

In our opinion, except for the fact that many fixed assets have not been reported as referred to in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi as of September 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the general purpose financial statements of Town of Mantachie, Mississippi as of and for the year ended September 30, 2008 and have issued our report dated June 16, 2009. 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 questioned costs as items 08-1, 08-4 and 08-6.

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.
June 16, 2009

**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**

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mantachie, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the Town's basic primary government financial statements, and have issued our report dated June 16, 2009. The auditor's report on the primary government financial statements is qualified on the governmental activities and business-type activities because internal controls over fixed assets were not sufficient to allow us to form an opinion on the amount of fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Mantachie, Mississippi's internal control over financial reporting 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 Mantachie, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Mantachie, 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 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.