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FINANCIAL STATEMENTS

Town of Smithville, Mississippi

For the year ended  
September 30, 2009

**TOWN OF SMITHVILLE, MISSISSIPPI**  
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**September 30, 2009**

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- d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

3. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sales Tax Allocation	General Fund	\$ 86,657
Gasoline Tax	General Fund	2,369
TVA In Lieu	General Fund	8,937
Homestead Exemption Reim	General Fund	20,739
General Municipal Aid	General Fund	460
Fire Protection Allocation	Special Revenue Fund	4,661
Justice Assistance Grant	Special Revenue Fund	2,225
Small Municipalities Grant	Proprietary Fund	131,906
Homeland Security Grant	Special Revenue Fund	2,558
CDBG Grants	Proprietary Fund	2,500

4. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with public purchasing requirements set forth in Title 31, Chapter 7, Miss. Code, 1972, Annotated, as applicable.

The sample consisted of the following:

Number of Sample Items	5
Dollar Value of Sample	\$ 311,436

We have found the Town of Smithville's purchasing procedures to be in agreement with the requirements of the above mentioned sections.

5. We have read the Municipal Compliance Questionnaire completed by the Town. The following response to the questionnaire or tests of compliance indicate the following noncompliance with state requirements:
1. The Town did perform an annual inventory of fixed assets. However, the Town does not have a complete Fixed Asset Inventory Ledger. Items missing are costs and acquisition dates on various assets. (Section 7-7-211 - Municipal Audit and Accounting Guide)

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the items specified in Paragraphs 1, 2, and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Smithville, Mississippi, for the year ended September 30, 2009.

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

Franks, Franks & Jarrell, P.A.

November 6, 2009

**TOWN OF SMITHVILLE, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUND TYPES**  
**For the year ended September 30, 2009**

	Governmental Funds		Proprietary Funds	Totals (Memorandum Only)
	General	Special Revenue		
<b>REVENUE RECEIPTS</b>				
Ad Valorem Taxes:				
Real and Personal Taxes	\$ 101,529	\$ 11,512	\$	\$ 113,041
Penalties and Interest	652			652
Intergovernmental Revenues:				
Federal Revenue				
Community Development Block Grant		173,850		173,850
Homeland Security Funds		2,558		2,558
Local Law Enforcement Block Grant		14,977		14,977
State Shared Revenues				
Sales Tax	86,657			86,657
Gasoline Tax	2,369			2,369
Municipal Aid	460			460
Justice Assistance Grant		2,225		2,225
Fire Protection Allocation		4,661		4,661
Homestead Reimbursement	19,079	1,660		20,739
TVA - In Lieu	8,937			8,937
Other State Revenues	0		131,906	131,906
Rural Impact Funds			2,500	2,500
Other Intergovernmental Revenue				
County Fire Protection		5,000		5,000
Charges for Services:				
Water & Sewer Systems			372,625	372,625
Garbage Collections	61,229			61,229
Franchise Fees	17,741			17,741
Privilege License	1,454			1,454
Court Fines	34,097			34,097
Transfers	4,000	21,222	44,875	70,097
Interest Income	1,490	0	1,638	3,128
Rents	2,015			2,015
Fundraisers		410		410
Other Income	3,685		10,825	14,510
Other Receipts:				
Customer Deposits			5,250	5,250
<b>Total Receipts</b>	<b>345,394</b>	<b>238,075</b>	<b>569,619</b>	<b>1,153,088</b>
Cash Balance - Beginning of Year	66,664	7,168	92,157	165,989
<b>TOTAL AMOUNT TO ACCOUNT FOR</b>	<b>\$ 412,058</b>	<b>\$ 245,243</b>	<b>\$ 661,776</b>	<b>\$ 1,319,077</b>
<b>CASH OPERATING DISBURSEMENTS</b>				
General Administration and Finance	111,308			111,308
Public Safety:				
Police	134,079			134,079
Fire		9,947		9,947
Public Works: Street Department				
Street Department	43,695			43,695
Sanitation	36,223			36,223
Park and Recreation	2,391	13,928		16,319
Enterprise: Water			283,517	283,517
Interest and Fiscal Charges			71,324	71,324
<b>Total Cash Operating Disbursements</b>	<b>327,696</b>	<b>23,875</b>	<b>354,841</b>	<b>706,412</b>
Other Disbursements:				
Principal Retirement			40,772	40,772
Property Additions	1,647	189,838	142,648	334,133
Transfers	6,846	18,376	44,875	70,097
<b>Total Other Cash Disbursements</b>	<b>8,493</b>	<b>208,214</b>	<b>228,295</b>	<b>445,002</b>
<b>Total Cash Disbursements</b>	<b>336,189</b>	<b>232,089</b>	<b>583,136</b>	<b>1,151,414</b>
Cash Balance - End of year	75,869	13,154	78,640	167,663
<b>TOTAL AMOUNT ACCOUNTED FOR</b>	<b>\$ 412,058</b>	<b>\$ 245,243</b>	<b>\$ 661,776</b>	<b>\$ 1,319,077</b>

See accountants' compilation report.

**Town of Smithville, Mississippi**  
**SELECTED INFORMATION-Substantially all disclosures required**  
**by generally accepted accounting principles are not included**  
**September 30, 2009**

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

General Information

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the Town includes all the funds of the Town.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

The financial statement has been prepared on the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

**NOTE B - REPORT CLASSIFICATIONS**

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

**NOTE C - LONG-TERM DEBT**

The annual requirements to amortize all debt outstanding as of September 30, 2009 are as follows:

	Note Payable Rural Water	Rural Water GECC	Water FHA	Totals
2010	\$ 23,745	\$ 16,116	\$ 2,754	\$ 42,615
2011	24,929	16,922	2,902	44,753
2012	26,171	17,768	3,058	46,997
2013	27,476	18,656	3,223	49,355
2014	28,846	27,609	3,396	59,851
Thereafter	<u>1,120,452</u>	<u>0</u>	<u>59,159</u>	<u>1,179,611</u>
Totals	<u>\$ 1,251,619</u>	<u>\$ 97,071</u>	<u>\$ 74,492</u>	<u>\$ 1,423,182</u>

See accountants' compilation report.

**TOWN OF SMITHVILLE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS  
September 30, 2009**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Ann Seales	City Clerk	St Paul Travelers	\$ 50,000
Jane Cantrell	Deputy Clerk	St Paul Travelers	\$ 50,000
Greg Kennedy	Mayor	MS Municipal Bond Program	\$ 50,000
Darwin Hathcock	Chief of Police	St Paul Travelers	\$ 50,000
Eric Mills	Police Officer	St Paul Travelers	\$ 25,000
Steven Summerford	Police Officer	St Paul Travelers	\$ 25,000
William Sloan	Police Officer	St Paul Travelers	\$ 25,000
John Bishop	Police Officer	St Paul Travelers	\$ 25,000
Ronnie Sloan	Police Officer	St Paul Travelers	\$ 25,000
Martin Blalock	Police Officer	St Paul Travelers	\$ 25,000
Jimmy Dabbs, Sr.	Alderman	MS Municipal Bond Program	\$ 25,000
Ruth Whitehead	Alderman	MS Municipal Bond Program	\$ 25,000
Hansel Hood	Alderman	MS Municipal Bond Program	\$ 25,000
Johnny Snow	Alderman	MS Municipal Bond Program	\$ 25,000
Joyce Avery	Alderman	MS Municipal Bond Program	\$ 25,000
Courtney Lann	Part-time Office Assistant	St Paul Travelers	\$ 50,000

See accountants' compilation report.

**TOWN OF SMITHVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
For the year ended September 30, 2009**

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING October 1, 2008</u>	<u>TRANSACTIONS DURING FISCAL YEAR ISSUED</u>	<u>TRANSACTIONS DURING FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING September 30, 2009</u>
Other Long-Term Debt:				
Note Payable - GECC, Rural Water	\$ 112,414	\$	\$ 15,343	\$ 97,071
Note Payable - USDA	1,274,327		22,708	1,251,619
Note Payable - FHA, Water	<u>77,213</u>		<u>2,721</u>	<u>74,492</u>
 TOTAL	 \$ <u>1,463,954</u>	 \$ <u>0</u>	 <u>40,772</u>	 \$ <u>1,423,182</u>

See accountants' compilation report.

**TOWN OF SMITHVILLE, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ENTERPRISE FUNDS**  
**For the year ended September 30, 2009**

	Enterprise Funds			Totals (Memorandum Only)
	Water	Rural Water	Sewer	
<b><u>CASH RECEIPTS</u></b>				
Charges for Services:				
Water System	\$ 131,688	\$ 147,162	\$ 93,775	\$ 372,625
Other Receipts:				
Transfers	6,116	38,759		44,875
Interest Income	602	704	332	1,638
Grant Funds Received	131,906		2,500	134,406
Customer Deposits	3,900	1,350		5,250
Other Income	6,534	4,291		10,825
Total Cash Receipts	<u>280,746</u>	<u>192,266</u>	<u>96,607</u>	<u>569,619</u>
<b><u>CASH OPERATING DISBURSEMENTS</u></b>				
Enterprise: Water				
Personnel	39,738	43,024	46,040	128,802
Supplies	28,237	17,480	19,440	65,157
Other Services	39,285	23,154	27,119	89,558
Total Cash Operating Disbursements	<u>107,260</u>	<u>83,658</u>	<u>92,599</u>	<u>283,517</u>
Other Disbursements:				
Principal Retirement	2,721	38,051	0	40,772
Property Additions	139,162	618	2,868	142,648
Interest and Fiscal Charges	4,084	67,240	0	71,324
Transfers	42,161	2,714	0	44,875
Total Other Cash Disbursements	<u>188,128</u>	<u>108,623</u>	<u>2,868</u>	<u>299,619</u>
Total Cash Disbursements	<u>295,388</u>	<u>192,281</u>	<u>95,467</u>	<u>583,136</u>
Excess (Deficit) of Cash Receipts Over Cash Disbursements	(14,642)	(15)	1,140	(13,517)
Cash Balance-Beginning of Year	<u>37,190</u>	<u>33,669</u>	<u>21,298</u>	<u>92,157</u>
Cash Balance - End of year	<u>\$ 22,548</u>	<u>\$ 33,654</u>	<u>\$ 22,438</u>	<u>\$ 78,640</u>

See accountants' compilation report.

## ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Honorable Mayor and Board of Aldermen  
Town of Smithville  
Smithville, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Smithville, Mississippi as of September 30, 2009, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Smithville, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Renasant Bank	General Fund	\$ 27,457
Community Bank	General Fund	<u>48,089</u>
Total General Fund		<u>\$ 75,546</u>
Renasant Bank	Special Revenue	\$ <u>13,154</u>
Total Special Revenue Fund		<u>\$ 13,154</u>
Renasant Bank	Proprietary Fund	\$ 53,470
Community Bank	Proprietary Fund	<u>25,015</u>
Total Proprietary Fund		<u>\$ 78,485</u>

2. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:
  - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
  - b. Examined uncollected taxes for proper handling, including tax sales;
  - c. Traced distribution of taxes collected to proper funds; and

## ACCOUNTANTS' COMPILATION REPORT

Honorable Mayor and Board of Aldermen  
Town of Smithville  
Smithville, Mississippi

We have compiled the accompanying statement of cash receipts and disbursements - all fund types of the Town of Smithville, Mississippi, for the year ended September 30, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Town's officials. We have not audited or reviewed the accompanying statement of cash receipts and disbursements - all fund types and, accordingly, do not express an opinion or any other form of assurance on it.

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the statement of cash receipts and disbursements - all fund types is not intended to present results of operations, in conformity with generally accepted accounting principles.

The Town's management has elected to omit substantially all of the disclosures ordinarily included in a financial statement prepared on the cash basis of accounting. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

The supplementary information contained on pages 6 - 9 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of the officials of the Town of Smithville, Mississippi, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

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

Franks, Franks & Jarrell, P. A.  
November 6, 2009