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FINANCIAL STATEMENTS  
TOWN OF GUNTOWN, MISSISSIPPI  
Year Ended September 30, 2010

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## INDEPENDENT AUDITORS' REPORT

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AICPA & MSCPA

Honorable Mayor and Board of Aldermen  
Town of Guntown, 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 Guntown, Mississippi as of September 30, 2010, and for the year then ended, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Guntown, Mississippi's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Guntown, Mississippi as of September 30, 2010, and the respective changes in financial position, and where applicable, cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of the Town of Guntown, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison information on pages 3 through 11 and 34 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guntown, Mississippi's financial statements as a whole. The introductory section and combining non-major fund financial statements and schedules and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of the Town of Guntown, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

FRANKS, FRANKS & JARRELL, P.A.  
February 14, 2011

# **TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Required Supplemental Information for the Year Ended September 30, 2010**

This section of the Town of Guntown's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2010. Please read it in conjunction with the Town of Guntown financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,791,515. Of this amount, \$670,564 may be used to meet the Town of Guntown's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Guntown governmental funds reported combined ending fund balances of \$130,937 an increase of \$43,843 in comparison to the prior year. Approximately 60 percent of the combined fund balances, \$78,352, is considered unreserved and is available for spending at the Town of Guntown discretion.
- The Town of Guntown's total debt decreased by \$81,860 (4 percent) during the current fiscal year to an ending balance of \$1,757,582.

### **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 Guntown.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town of Guntown's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town of Guntown'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 Guntown has two Governmental Fund types: the General Fund and Special Revenue Fund.

Proprietary Fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and includes the Water and Sewer Utility Fund.

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 GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the Town of Guntown's financial statements, including the portion of the Town of Guntown 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 Guntown'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 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 GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## Government-wide Statements

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

- Over time, increases or decreases in the Town of Guntown's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town of Guntown, the reader should consider additional non-financial factors such as changes in the Town of Guntown's economic environment.
- *Governmental activities* – Most of the Town of Guntown's basic services are included here, such as the police, fire, public works, tourism, building inspection, 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 Guntown charges fees to customers to help it cover the costs of certain services it provides. The Town of Guntown's water and sewer systems services are included here.

## Fund Financial Statements

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

The Town of Guntown has two types of funds:

- **Governmental funds**—most of the Town of Guntown'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 Guntown'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 Guntown utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the Town of Guntown 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 fund—Enterprise Funds. The Town of Guntown'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 Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, 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 Guntown's assets exceeded liabilities by \$3,791,515 at the close of the most recent fiscal year.

A large portion, 79 percent, of the Town's net assets reflects its investment in capital assets (such as land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

## Town of Guntown's Net Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>Restated 2009</u>
Current and Other Assets	\$ 353,954	\$ 272,803	\$ 594,956	\$ 211,858	\$ 948,910	\$ 484,661
Noncurrent Assets	<u>893,329</u>	<u>923,157</u>	<u>3,865,553</u>	<u>4,375,717</u>	<u>4,758,882</u>	<u>5,298,874</u>
Total Assets	1,247,283	1,195,960	4,460,509	4,587,575	5,707,792	5,783,535
Current and Other Liabilities	115,924	117,629	77,804	136,248	193,728	253,877
Long-Term Liabilities	<u>32,069</u>	<u>52,973</u>	<u>1,690,480</u>	<u>1,693,304</u>	<u>1,722,549</u>	<u>1,746,277</u>
Total Liabilities	147,993	170,602	1,768,284	1,829,552	1,916,277	2,000,154
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	893,329	848,843	2,120,859	2,220,064	3,014,188	3,068,907
Restricted	52,585	0	54,178	129,044	106,763	129,044
Unrestricted	<u>153,376</u>	<u>176,515</u>	<u>517,188</u>	<u>408,915</u>	<u>670,564</u>	<u>585,430</u>
Total Net Assets	\$ 1,099,290	\$ 1,025,358	\$ 2,692,225	\$ 2,758,023	\$ 3,791,515	\$ 3,783,381

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The \$670,564 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 \$517,188 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 Guntown generally can only use these net assets to finance the continuing operations of the business type activities.

**Changes in net assets.** Approximately 19.34 percent of the Town of Guntown's revenue comes from property taxes, with 37.28 percent of all revenue coming from some type of tax. (See Table A-2.) Another 49.61 percent comes from fees charged for services, 8.30 percent from operating and capital grants and contributions and the balance is from investment earnings and other miscellaneous receipts.

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

# TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-2  
Changes in the Town of Guntown's Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>Restated 2009</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 204,555	\$ 81,536	\$ 460,858	\$ 423,543	\$ 665,413	\$ 505,079
Grants & Contributions	85,481	24,554	25,856	146,483	111,337	171,037
General Revenues:						
Property Taxes	259,371	254,605	0	0	259,371	254,605
Sales Taxes	162,205	163,125	0	0	162,205	163,125
Other Taxes	78,543	41,058	0	0	78,543	41,058
Investment Income	2,263	5,241	6,573	17,409	8,836	22,650
Other	<u>52,293</u>	<u>60,499</u>	<u>3,412</u>	<u>14,294</u>	<u>55,705</u>	<u>74,793</u>
Total Revenues	844,711	630,618	496,699	601,729	1,341,410	1,232,347
<b>Expenses</b>						
General Government	305,041	293,036	0	0	305,041	293,036
Public Safety	425,749	330,533	0	0	425,749	330,533
Culture & Recreation	14,169	14,145	0	0	14,169	14,145
Water & Sewer System	0	0	542,737	592,733	542,737	592,733
Interest on Long Term Debt	<u>4,266</u>	<u>4,001</u>	<u>55,760</u>	<u>60,086</u>	<u>60,026</u>	<u>64,087</u>
Total Expenses	<u>749,225</u>	<u>641,715</u>	<u>598,497</u>	<u>652,819</u>	<u>1,347,722</u>	<u>1,294,534</u>
Excess of Revenue Over Expenses	95,486	(11,097)	(101,798)	(51,090)	(6,312)	(62,187)
Transfers	<u>(36,000)</u>	<u>0</u>	<u>36,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>59,486</u>	<u>(11,097)</u>	<u>(65,798)</u>	<u>(51,090)</u>	<u>(6,312)</u>	<u>(62,187)</u>
Net Assets—Beginning (restated)	<u>1,039,804</u>	<u>1,050,901</u>	<u>2,758,023</u>	<u>2,809,113</u>	<u>3,797,827</u>	<u>3,860,014</u>
Net Assets—Ending	<u>\$ 1,099,290</u>	<u>\$ 1,039,804</u>	<u>\$ 2,692,225</u>	<u>\$ 2,758,023</u>	<u>\$ 3,791,515</u>	<u>\$ 3,797,827</u>

## Governmental Activities

Governmental activities increased the Town's net assets by \$59,486. 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 property taxes (31 percent), charges for services (24 percent) and sales tax (19 percent).

# TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the Town's governmental activities are public safety (57 percent) and general government (41 percent).

## **Business-type Activities**

Business-type activities decreased the Town's net assets by \$(65,798).

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$460,858 for the 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 \$78,352, which comprised the 100 percent of the 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 unreserved fund balance represents 12.41 percent of total fund expenditures. The fund balance of the Town's general fund increased by \$38,374 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 \$52,585, 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 \$2,692,225.

## **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 2009-10 general fund operating budget increased by approximately \$28,192 during the current fiscal year. This increase was primarily related to an increase in the Public Safety, Culture & Recreation, and Debt Service budgets.

# TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounted to \$4,758,882, net of accumulated depreciation of \$1,757,520. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

**Table A-3  
Town of Guntown's Capital assets**

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 320,720	320,720	\$ 39,378	39,378	\$ 360,098	360,098
Plant, Buildings & Improvements	325,819	321,194	4,780,224	4,780,224	5,106,043	5,101,418
Machinery & Equipment	637,451	611,024	412,810	411,050	1,050,261	1,022,074
Accumulated Depreciation	<u>(390,661)</u>	<u>(329,778)</u>	<u>(1,366,859)</u>	<u>(1,245,060)</u>	<u>(1,757,520)</u>	<u>(1,574,838)</u>
Total	\$ 893,329	923,160	\$ 3,865,553	3,985,592	\$ 4,758,882	4,908,752

**Long-term Debt**—At year-end, the Town had \$1,757,582 in bonds, note payables and capital leases outstanding. More detailed information about the Town of Guntown's long-term liabilities is presented in the notes to the financial statements.

**Table A-4  
Town of Guntown's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue Bonds	\$ 0	0	\$ 1,256,440	1,298,411	\$ 1,256,440	1,298,411
Notes Payable	21,965	31,699	448,153	467,117	469,885	498,816
Capital Leases	<u>31,024</u>	<u>42,215</u>	<u>0</u>	<u>0</u>	<u>31,257</u>	<u>42,215</u>
Total	\$ 52,989	73,914	\$ 1,704,593	1,765,528	\$ 1,757,582	1,839,442

# **TOWN OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **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 2011 budget. The total budgeted appropriations for the Town's operations is \$1,588,020. This is a decrease from the prior year budget. The decrease is primarily related to capital outlay related to governmental funds.

## **CONTACTING THE TOWN OF GUNTOWN 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 Guntown 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 Guntown's Finance Department, P.O. Box 27, Guntown, MS 38849.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash on Deposit	\$ 152,491	\$ 57,904	\$ 210,395
Money Market, Certificates of Deposit	26,104	389,892	415,996
Restricted Cash	0	54,178	54,178
Due From Other Governments	16,108	0	16,108
Accounts Receivable, net	0	66,960	66,960
Court Fines Receivable, net	123,341	0	123,341
Property Tax Receivable	4,672	0	4,672
Other Receivable	26,456	0	26,456
Due From Other Funds	4,782	26,022	30,804
<b>TOTAL CURRENT ASSETS</b>	<b><u>353,954</u></b>	<b><u>594,956</u></b>	<b><u>948,910</u></b>
Noncurrent Assets:			
Capital Assets:			
Land	320,720	39,378	360,098
Plant, Buildings and Improvements	325,819	4,780,224	5,106,043
Machinery and Equipment	637,451	412,810	1,050,261
Accumulated Depreciation	<u>(390,661)</u>	<u>(1,366,859)</u>	<u>(1,757,520)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>893,329</u></b>	<b><u>3,865,553</u></b>	<b><u>4,758,882</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,247,283</u></b>	<b><u>\$ 4,460,509</u></b>	<b><u>\$ 5,707,792</u></b>

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 63,155	\$ 23,590	\$ 86,745
Due to Other Funds	30,804	0	30,804
Current Maturities of Long-Term Debt			
Revenue Bonds	0	34,154	34,154
Notes Payable	21,965	20,060	42,025
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,924</b>	<b>77,804</b>	<b>193,728</b>
Noncurrent Liabilities:			
Refundable Deposits	1,045	40,101	41,146
Revenue Bonds, net of current maturities	0	1,222,286	1,222,286
Notes Payable & Capital Leases, net of current maturities	31,024	428,093	459,117
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>32,069</b>	<b>1,690,480</b>	<b>1,722,549</b>
<b>TOTAL LIABILITIES</b>	<b>147,993</b>	<b>1,768,284</b>	<b>1,916,277</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	893,329	2,120,859	3,014,188
Restricted for:			
Debt Service	0	54,178	54,178
Special Revenue Projects	52,585	0	52,585
Unrestricted	153,376	517,188	670,564
<b>TOTAL NET ASSETS</b>	<b>1,099,290</b>	<b>2,692,225</b>	<b>3,791,515</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,247,283</b>	<b>\$ 4,460,509</b>	<b>\$ 5,707,792</b>

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE**  
**For the year ended September 30, 2010**

FUNCTIONS/ PROGRAMS	Expenses	PROGRAM REVENUES			Total	Net (Expense) Revenue and Changes in Net Assets		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions		PRIMARY GOVERNMENT		
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Government Activities:								
General Government	\$ 305,041	\$ 53,832	\$ 0	\$ 6,632	\$ 60,464	\$ (244,577)	\$ 0	\$ (244,577)
Public Safety	425,749	145,983	0	78,849	224,832	(200,917)	0	(200,917)
Culture and Recreation	14,169	4,740	0	0	4,740	(9,429)	0	(9,429)
Debt Service	4,266	0	0	0	0	(4,266)	0	(4,266)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>749,225</b>	<b>204,555</b>	<b>0</b>	<b>85,481</b>	<b>290,036</b>	<b>(459,189)</b>	<b>0</b>	<b>(459,189)</b>
Business-Type Activities:								
Water & Sewer System	598,497	460,858	0	25,856	486,714	0	(111,783)	(111,783)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>598,497</b>	<b>460,858</b>	<b>0</b>	<b>25,856</b>	<b>486,714</b>	<b>0</b>	<b>(111,783)</b>	<b>(111,783)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,347,722</b>	<b>\$ 665,413</b>	<b>\$ 0</b>	<b>\$ 111,337</b>	<b>\$ 776,750</b>	<b>\$ (459,189)</b>	<b>\$ (111,783)</b>	<b>\$ (570,972)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 240,055	\$ 0	\$ 240,055	
Property Taxes, Levied for Specific Purposes					19,316	0	19,316	
Sales and Use Taxes					162,205	0	162,205	
Licenses and Permits					9,135	0	9,135	
In Lieu Taxes					78,543	0	78,543	
Intergovernmental Revenues					18,980	0	18,980	
Sale of Property, Plant, and Equipment					13,010	3,412	16,422	
Investment Earnings					2,263	6,573	8,836	
Miscellaneous					11,168	0	11,168	
Transfers					(36,000)	36,000	0	
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>518,675</b>	<b>45,985</b>	<b>564,660</b>	
<b>CHANGE IN NET ASSETS</b>					<b>59,486</b>	<b>(65,798)</b>	<b>(6,312)</b>	
<b>NET ASSETS--BEGINNING, as previously stated</b>					<b>920,302</b>	<b>2,811,808</b>	<b>3,732,110</b>	
<b>PRIOR PERIOD ADJUSTMENT</b>					<b>119,502</b>	<b>(53,785)</b>	<b>65,717</b>	
<b>NET ASSETS--BEGINNING, as restated</b>					<b>1,039,804</b>	<b>2,758,023</b>	<b>3,797,827</b>	
<b>NET ASSETS--ENDING</b>					<b>\$ 1,099,290</b>	<b>\$ 2,692,225</b>	<b>\$ 3,791,515</b>	

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 95,980	\$ 56,511	\$ 152,491
Money Market, Certificates of Deposit	26,104		26,104
Due From Other Governments	16,108		16,108
Other Receivables	26,456		26,456
Due From Other Funds	4,562	220	4,782
Prepaid Insurance	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 169,210</b>	<b>\$ 56,731</b>	<b>\$ 225,941</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable and Accrued Expenses	\$ 59,009	\$ 4,146	\$ 63,155
Due to Other Funds	30,804	0	30,804
Refundable Deposits	1,045	0	1,045
<b>TOTAL LIABILITIES</b>	<b>90,858</b>	<b>4,146</b>	<b>95,004</b>
<b><u>FUND BALANCES:</u></b>			
Restricted:			
Special Revenue Funds		52,585	52,585
Undesignated	78,352		78,352
<b>TOTAL FUND BALANCES</b>	<b>78,352</b>	<b>52,585</b>	<b>130,937</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 169,210</b>	<b>\$ 56,731</b>	<b>\$ 225,941</b>

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2010**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	130,937
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.		893,329
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		4,672
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(52,989)
Accrual of court fine revenues to qualify as financial resources.		123,341
		123,341
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	1,099,290

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
For the year ended September 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 247,498	\$ 19,316	\$ 266,814
Sales & Use Taxes	162,205	0	162,205
Licenses and Permits	9,135	0	9,135
In Lieu of Taxes	78,543	0	78,543
Intergovernmental Revenues	3,792	15,188	18,980
Rentals	53,832	0	53,832
Park Revenues	4,740	0	4,740
Fines and Forfeits	113,991	0	113,991
Interest Revenues	1,479	784	2,263
Grant Income	6,632	78,849	85,481
Miscellaneous Revenues	10,728	440	11,168
<b>TOTAL REVENUES</b>	<u>692,575</u>	<u>114,577</u>	<u>807,152</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	294,500		294,500
Public Safety	304,598	97,344	401,942
Culture and Recreation	18,686		18,686
Debt Service	13,427	11,764	25,191
<b>TOTAL EXPENDITURES</b>	<u>631,211</u>	<u>109,108</u>	<u>740,319</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>61,364</u>	<u>5,469</u>	<u>66,833</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Fixed Assets	13,010		13,010
Transfers to Other Funds	(176,135)		(176,135)
Transfers from Other Funds	140,135		140,135
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(22,990)</u>	<u>0</u>	<u>(22,990)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>38,374</u>	<u>5,469</u>	<u>43,843</u>
<b>FUND BALANCES - Beginning, as previously stated</b>	45,192	47,116	92,308
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(5,214)</u>	<u>0</u>	<u>(5,214)</u>
<b>FUND BALANCES - Beginning, as restated</b>	<u>39,978</u>	<u>47,116</u>	<u>87,094</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 78,352</u>	<u>\$ 52,585</u>	<u>\$ 130,937</u>

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, 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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 43,843

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. 31,052

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. (60,883)

Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received. 24,549

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents long-term debt proceeds. 0

This amount represents long-term debt repayments and issuance costs. 20,925

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 59,486

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the year ended September 30, 2010**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
General Property Taxes	\$ 226,887	\$ 225,887	\$ 236,035	\$ 10,148
Sales & Use Taxes	160,000	160,000	160,593	593
Licenses and Permits	12,900	10,900	9,135	(1,765)
In Lieu of Taxes	55,000	55,000	78,543	23,543
Intergovernmental Revenues	3,600	3,600	13,200	9,600
Rentals	26,500	29,250	53,832	24,582
Park Revenues	3,000	3,000	4,740	1,740
Fines and Forfeits	84,000	84,000	113,991	29,991
Interest Revenues	3,700	1,050	1,495	445
Grant Income		12,819	6,632	(6,187)
Miscellaneous Revenues	1,550	1,550	12,960	11,410
<b>TOTAL REVENUES</b>	<u>577,137</u>	<u>587,056</u>	<u>691,156</u>	<u>104,100</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	356,694	356,694	294,500	62,194
Public Safety	266,285	282,227	304,598	(22,371)
Culture and Recreation	15,000	22,625	18,686	3,939
Debt Service	13,201	17,826	13,427	4,399
<b>TOTAL EXPENDITURES</b>	<u>651,180</u>	<u>679,372</u>	<u>631,211</u>	<u>48,161</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(74,043)</u>	<u>(92,316)</u>	<u>59,945</u>	<u>152,261</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Fixed Assets		11,300	13,010	1,710
Transfers (to) From Other Funds	(50,000)	(50,000)	(36,000)	14,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(50,000)</u>	<u>(38,700)</u>	<u>(22,990)</u>	<u>15,710</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ (124,043)</u>	<u>\$ (131,016)</u>	<u>\$ 36,955</u>	<u>\$ 167,971</u>

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2010**

**ASSETS**

**Current Assets**

Cash on Deposit	\$ 57,904
Money Market, Certificates of Deposit	389,892
Restricted Cash	54,178
Accounts Receivable, Net of Provision for Bad Debts	66,960
Due from Other funds	26,022
Total Current Assets	<u>594,956</u>

**Fixed Assets**

Distributions Systems	4,780,224
Equipment	412,810
Land	39,378
Less: Accumulated Depreciation	<u>(1,366,859)</u>
Net Fixed Assets	<u>3,865,553</u>

TOTAL ASSETS \$ 4,460,509

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 16,941
Compensated Absences	6,649
Notes and Bonds Payable - Within One Year	54,214
Total Current Liabilities	<u>77,804</u>

**Noncurrent Liabilities**

Refundable Deposits	40,101
Notes and Bonds Payable, net of current maturities	1,650,379
Total Noncurrent Liabilities	<u>1,690,480</u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	2,120,859
Restricted for:	
Debt Service	54,178
Unrestricted	517,188
Total Net Assets	<u>2,692,225</u>

TOTAL LIABILITIES AND NET ASSETS \$ 4,460,509

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the year ended September 30, 2010**

OPERATING REVENUES

Charges for Services	\$	459,754
Other Receipts		1,104
Total Operating Revenues		460,858

OPERATING EXPENSES

Personal Services		202,119
Contractual Services		21,118
Supplies		90,443
Depreciation and Amortization		121,799
Other Services		107,258
Total Operating Expenses		542,737

Operating Income		(81,879)
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NON-OPERATING REVENUES (EXPENSES)

Interest Income		6,573
Grant Income		25,856
Gain/(Loss) on Sale of Capital Assets		3,412
Interest and Fiscal Charges		(55,760)
		(19,919)

Total Non-Operating Revenues (Expenses)		(19,919)
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INCOME BEFORE OPERATING TRANSFERS

(101,798)

Operating Transfers In		98,291
Operating Transfers (Out)		(62,291)
		(65,798)

NET INCOME (LOSS)

(65,798)

NET ASSETS - OCTOBER 1, as previously stated		2,811,808
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PRIOR PERIOD ADJUSTMENT		(53,785)
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NET ASSETS - OCTOBER 1, as restated		2,758,023
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NET ASSETS - SEPTEMBER 30	\$	2,692,225
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See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**For the year ended September 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 452,945
Cash Payments for Personal Services	(201,708)
Cash Payments for Contractual Services	(21,118)
Cash Payments for Supplies	(90,443)
Cash Payments for Other Services	(93,104)
Net Cash Provided By Operating Activities	46,572

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating Transfers - In from (Out) to Other Funds	35,978
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	35,978

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Fixed Assets	(1,760)
Principal Paid on Bonds, Notes and Capital Lease Payables	(60,935)
Interest Paid on Bonds, Notes and Capital Lease Payables	(68,077)
Net Cash Provided By (Used In) Noncapital Financing Activities	(130,772)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Sale of Fixed Assets	3,412
Cash Received from Grants	25,856
Interest on Investments	6,573
Net Cash Provided By Investing Activities	35,841

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (12,381)

CASH AND CASH EQUIVALENTS - BEGINNING 514,355

CASH AND CASH EQUIVALENTS - ENDING \$ 501,974

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ (81,879)
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided By Operating Activities	
Depreciation	121,799
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(7,913)
(Increase) Decrease in Prepaid Expenses	2,585
Increase (Decrease) in Accounts Payable - operating activities	10,154
Increase (Decrease) in Accrued Expenses - operating activities	411
Increase (Decrease) in Refundable Deposits	1,415
Total Adjustments	128,451
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 46,572

See accompanying notes to financial statements.

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Guntown was incorporated in 1850 under the laws of the State of Mississippi. A mayor-board of aldermen form of government is used and the Town provides the following services: police protection, fire protection, parks and recreation department and water and sewer systems.

**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 non-fiduciary 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 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 and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The Town reports the following 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 and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental 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 Guntown.

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

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

**TOWN OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**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 and charges for sewer treatment. 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.

Budgets and Budgetary Accounting

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except 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.

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

Cash and Investments

Deposits- 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 deposits are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

The Town's investments as of September 30, 2010 are:

Investments:

Certificates of Deposit	\$ 415,996
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Revenue Recognition – Property Taxes

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

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements.

Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the enterprise funds and have been reported on the balance sheets of the enterprise funds.

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

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.

Compensated Absences

Personal leave is available only to full time employees. There is no limit to accumulated personal leave time. Upon termination of employment the employee shall be paid for not more than thirty days of accumulated personal leave time.

<u>Continuous Service</u>	<u>Days Allowed Per Year</u>
1 month to 3 years	12 Days
37 months to 10 years	17 Days
Over 10 years	22 Days

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.

Cash and Cash Equivalents

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

Business Information

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

**TOWN OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 2 – FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2010:

Primary Government:

	<i>(RESTATED)</i>			
	Balance 10/1/2009	Additions	Disposals	Balance 9/30/2010
Capital Assets, not being depreciated:				
Land	\$ 320,720	\$ 0	\$ 0	\$ 320,720
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	321,194	4,625	0	325,819
Machinery and Equipment	611,024	26,427	0	637,451
Total Capital Assets being depreciated:	<u>932,218</u>	<u>31,052</u>	<u>0</u>	<u>963,270</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(63,951)	(6,432)	0	(70,383)
Machinery and Equipment	(265,827)	(54,451)	0	(320,278)
Total Accumulated Depreciation	<u>(329,778)</u>	<u>(60,883)</u>	<u>0</u>	<u>(390,661)</u>
Total Capital Assets, depreciated, net	<u>602,440</u>	<u>(29,831)</u>	<u>0</u>	<u>572,609</u>
Governmental Activities Capital Assets, net	<u>\$ 923,160</u>	<u>\$ (29,831)</u>	<u>\$ 0</u>	<u>\$ 893,329</u>

Business-Type Activities:

	<i>(RESTATED)</i>			
	Balance 10/1/2009	Additions	Disposals	Balance 9/30/2010
Capital Assets, not being depreciated:				
Land	\$ 39,378	\$ 0	\$ 0	\$ 39,378
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	4,780,224	0	0	4,780,224
Machinery and Equipment	411,050	1,760	0	412,810
Total Capital Assets being depreciated:	<u>5,191,274</u>	<u>1,760</u>	<u>0</u>	<u>5,193,034</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(960,468)	(104,903)	0	(1,065,371)
Machinery and Equipment	(284,592)	(16,896)	0	(301,488)
Total Accumulated Depreciation	<u>(1,245,060)</u>	<u>(121,799)</u>	<u>0</u>	<u>(1,366,859)</u>
Total Capital Assets, depreciated, net	<u>3,946,214</u>	<u>(120,039)</u>	<u>0</u>	<u>3,826,175</u>
Governmental Activities Capital Assets, net	<u>\$ 3,985,592</u>	<u>\$ (120,039)</u>	<u>\$ 0</u>	<u>\$ 3,865,553</u>

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 2 – FIXED ASSETS (continued)**

The Town's capitalization threshold is \$1,000 for Plant, Improvements, Furniture, and Equipment; Land and Buildings are capitalized regardless of cost. The Town retroactively applied these thresholds to all general fixed assets in service at September 30, 2004 pursuant to GASB requirements.

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:

Buildings	40 Years
Improvements	20 Years
Machinery and Equipment	3 – 10 Years
Utility Systems	20 Years
Infrastructure	20 – 50 Years

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

Governmental Activities:	
General Government	\$ 10,541
Public Safety	50,234
Culture & Recreation	<u>108</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 60,883</u>
Business-type Activities:	
Water and Sewer	<u>\$ 121,799</u>

**NOTE 3 – RECEIVABLES**

Receivables at September 30, 2010, consisted primarily of taxes, account (billings for user charged services including unbilled utility services), sales tax, property tax and in lieu tax.

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables.

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5 – LONG-TERM DEBT**

The following is a summary of bond and other debt transactions of the Town for the year ended September 30, 2010:

	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/09	\$ 1,298,411	\$ 541,031	\$ 1,839,442
Add: Bonds and Other Long-Term Debt Acquired	0	0	0
Less: Bonds and Other Long-Term Debt Retired	<u>41,971</u>	<u>39,889</u>	<u>81,860</u>
Bonds and Other Long-Term Debt at 9/30/10	<u>\$ 1,256,440</u>	<u>\$ 501,142</u>	<u>\$ 1,757,582</u>

Bonds and other long-term debt at September 30, 2010 are comprised of the following issues:

**Revenue Bonds:**

\$50,000 dated July 21, 1987, to USDA Rural Development due in monthly installments of \$358 with interest at 7.875% through July 21, 2017; collateralized by the water and sewer distribution system, plus system revenues.	\$ 6,991
\$102,000 dated November 4, 1992, to USDA Rural Development due in annual installments of \$6,767 with interest at 5.50% through November 4, 2026; collateralized by the water and sewer distribution system, plus system revenues.	75,809
\$581,000 dated June 8, 2004, to USDA Rural Development due in annual installments of \$33,599 with interest at 4.375% through June 8, 2039; collateralized by the water and sewer distribution system, plus system revenues.	545,829
\$846,000 dated July 15, 2008, to USDA Rural Development due in monthly installments of \$3,906 with interest at 4.25% through July 15, 2043; collateralized by the water and sewer distribution system, plus system revenues.	<u>627,811</u>
	<u>\$ 1,256,440</u>

**Notes Payable:**

\$500,000 dated April 1, 2008, to Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 240 monthly installments of \$2,529 with interest at 2.00% through March 1, 2028	\$ 448,153
\$50,000 dated January 26, 2007, to Renasant Bank due in 4 annual installments of \$11,764 with interest at 5.50% through January 26, 2012; collateralized by real property	<u>21,732</u>
	<u>\$ 469,885</u>

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 5 – LONG-TERM DEBT (continued)**

**Capital Leases:**

\$46,571 dated May 5, 2009, to Ford Motor Credit due in 48 monthly installments of \$1,100 with interest at 6.65% through April 6, 2013; collateralized by two police cars

\$ 31,257

**Total Long-term Debt**

\$ 1,757,582

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2010 including interest payments of \$839,656 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 21,965	\$ 2,981	\$ 54,214	\$ 54,461	\$ 76,179	\$ 57,442
2012	23,490	1,591	59,493	61,293	82,983	62,884
2013	7,534	167	58,386	59,211	65,920	59,378
2014	0	0	60,447	57,149	60,447	57,149
2015	0	0	62,591	55,006	62,591	55,006
2016 – 2020	0	0	348,211	239,770	348,211	239,770
2021 – 2025	0	0	416,221	171,759	416,221	171,759
2026 – 2030	0	0	410,495	90,955	410,495	90,955
2031 – 2035	0	0	130,414	37,581	130,414	37,581
2036 – 2040	0	0	104,121	7,732	104,121	7,732
	<u>\$ 52,989</u>	<u>\$ 4,739</u>	<u>\$ 1,704,593</u>	<u>\$ 834,917</u>	<u>\$ 1,757,582</u>	<u>\$ 839,656</u>

**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLE**

Individual fund interfund receivable and payable balances at September 30, 2010, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,562	\$ 30,804
Special Revenue Fund	220	0
Enterprise Fund:		
Water and Sewer Fund	<u>26,022</u>	<u>0</u>
	<u>\$ 30,804</u>	<u>\$ 30,804</u>

**NOTE 7 – LITIGATION**

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

**TOWN OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the Town of Guntown is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Guntown's contributions to PERS for the years ending September 30, 2010, 2009 and 2008 were \$46,103, 44,766 and \$39,547, respectively, equal to the required contributions for each year.

**NOTE 9 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$1,419 more than cash revenues.

**NOTE 10 – RISK MANAGEMENT**

The Town of Guntown is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the Town retains the risk of loss.

Risk of loss related to workers compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 – RISK MANAGEMENT (continued)**

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2010, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

**NOTE 11 – COMMITMENTS**

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

The beginning balances of certain accounts have been restated to correct previous errors. Subsequent to issuing the financial statements for the year ending September 30, 2009, management discovered errors in accrued liabilities, accumulated depreciation, and equity.

The accrued expenses in the governmental activities were understated by \$7,142. This understatement is the result of an under-calculation of over-collected property taxes in the prior year. The beginning liabilities and fund balances have been restated to correct these errors.

The proprietary fixed assets were under depreciated by \$53,785. This is the result of an error on the depreciation schedule used in prior years. The beginning liabilities and fund balances have been restated to correct these errors.

The general fixed assets were over depreciated by \$20,849. This is the result of an error on the depreciation schedule used in prior years. The beginning liabilities and fund balances have been restated to correct these errors.

The fund balance for the governmental activities was understated by \$2,331 at September 30, 2009. This understatement is the result of an error in prior-year financial statement preparation. The beginning fund balance has been restated in the governmental activities to correct this error.

There was no accrual of court fines receivable in the September 30, 2009 financial statements. This error resulted in a \$91,349 understatement of assets and fund balance in the prior-year. The beginning assets and fund balances have been restated to correct this error.

There was no accrual of property taxes receivable in the September 30, 2009 financial statements. This error resulted in a \$12,115 understatement of assets and fund balance in the prior-year. The beginning assets and fund balances have been restated to correct this error.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 14, 2011, the date which the financial statements were available to be issued.

COMBINING AND NON-MAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the year ended September 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 225,887	\$ 236,035	\$ 10,148
Sales & Use Taxes	160,000	160,593	593
Licenses and Permits	10,900	9,135	(1,765)
In Lieu of Taxes	55,000	78,543	23,543
Intergovernmental Revenues	3,600	13,200	9,600
Rentals	29,250	53,832	24,582
Park Revenues	3,000	4,740	1,740
Fines and Forfeits	84,000	113,991	29,991
Interest Revenues	1,050	1,495	445
Grant Income	12,819	6,632	(6,187)
Miscellaneous Revenues	1,550	12,960	11,410
Total revenues	<u>587,056</u>	<u>691,156</u>	<u>104,100</u>
<b><u>EXPENDITURES</u></b>			
General Government			
Personnel Services	185,766	164,256	21,510
Supplies	23,000	11,249	11,751
Other Services and Charges	145,500	118,995	26,505
Capital Outlay	2,428	0	2,428
Total	<u>356,694</u>	<u>294,500</u>	<u>62,194</u>
Public Safety			
Personnel Services	192,927	189,872	3,055
Supplies	29,500	26,793	2,707
Other Services and Charges	59,300	86,930	(27,630)
Capital Outlay	500	1,003	(503)
Total	<u>282,227</u>	<u>304,598</u>	<u>(22,371)</u>
Cultural and Recreational			
Personnel Services	\$ 0	\$ 0	\$ 0
Supplies	6,500	6,226	274
Professional Services	11,500	7,835	3,665
Capital Outlay	4,625	4,625	0
Total	<u>22,625</u>	<u>18,686</u>	<u>3,939</u>

**TOWN OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**For the Fiscal Year Ended September 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Debt Service			
Principal Retired	\$ 13,201	\$ 10,958	\$ 2,243
Interest Expense	4,625	2,469	2,156
Total	<u>17,826</u>	<u>13,427</u>	<u>4,399</u>
 Total expenditures	 <u>679,372</u>	 <u>631,211</u>	 <u>152,261</u>
 Excess (Deficit) revenues over (under) expenditures	 <u>(92,316)</u>	 <u>59,945</u>	 <u>(48,161)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Fixed Assets	11,300	13,010	1,710
Operating transfers in	155,000	140,135	(14,865)
Operating transfers out	<u>(205,000)</u>	<u>(176,135)</u>	<u>(28,865)</u>
Total other financing sources (uses)	<u>(38,700)</u>	<u>(22,990)</u>	<u>(42,020)</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	 <u>(131,016)</u>	 <u>36,955</u>	 <u>(90,181)</u>
 Fund balances at October 1, 2009 as previously stated	 45,192	 45,192	 637,016
 Prior Period Adjustment	 <u>0</u>	 <u>(5,214)</u>	 <u>0</u>
 Fund balances at October 1, 2009 as restated	 <u>637,016</u>	 <u>39,978</u>	 <u>637,016</u>
 Fund balances at September 30, 2010	 <u>\$ 1,592,161</u>	 <u>\$ 76,933</u>	 <u>\$ (489,738)</u>
 Adjustments To GAAP Basis:			
Add: Accrued revenues		<u>1,419</u>	
Fund Balance GAAP September 30, 2010		<u>\$ 78,352</u>	

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS  
September 30, 2010**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Susan McKee	Town Clerk	Zurich North America Surety	\$30,000
Susan McKee	Town Clerk	Travelers Insurance	\$80,000
Kurt Olsen	Chief of Police	Zurich North America Surety	\$50,000
Tonya Vandevander	Deputy Town Clerk	Zurich North America Surety	\$10,000
Lois Patton	Court Clerk	Travelers Insurance	\$50,000
Robert Herring	Mayor	Scott Insurance	\$50,000
Ronny Lindsey	Alderman	Scott Insurance	\$50,000
James Hopkins	Alderman	Scott Insurance	\$50,000
Robert Davis	Alderman	Scott Insurance	\$50,000
George Kuykendall	Alderman	Scott Insurance	\$50,000
Gregory Cagle	Alderman	Scott Insurance	\$50,000
John Bishop	Police	Travelers Insurance	\$25,000
Brent Green	Police	Travelers Insurance	\$25,000
Joshua Davis	Police	Travelers Insurance	\$25,000
B.J. Buse	Police	Travelers Insurance	\$25,000
Lynn Vaughn	Police	Travelers Insurance	\$25,000

**TOWN OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF LONG TERM DEBT**  
For the year ended September 30, 2010

	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING	DURING FISCAL YEAR		OUTSTANDING
	October 1, 2009	ISSUED	REDEEMED	September 30, 2010
<u>Revenue Bonds</u>				
USDA 91-04	\$ 6,990	\$ 0	\$ 6,990	\$ 0
USDA 92-05	10,582	0	3,591	6,991
USDA 92-06	78,338	0	2,529	75,809
USDA 92-11	554,950	0	9,121	545,829
USDA 91-13	647,551	0	19,740	627,811
<u>Other Long Term Debt</u>				
MDA CAP Water Department	467,117	0	18,964	448,153
Capital Lease - Police Cars	41,989	0	10,732	31,257
Capital Lease - Computer System	226	0	226	0
Note Payable - Renasant Fire	31,699	0	9,967	21,732
<b>TOTAL</b>	<b>\$ 1,839,442</b>	<b>\$ 0</b>	<b>\$ 81,860</b>	<b>\$ 1,757,582</b>

## OTHER REPORTS



**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**

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

CERTIFIED PUBLIC ACCOUNTANTS

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**GARY M. FRANKS**

**P. GREG JARRELL**

**BRYON WILEMON**

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JONATHAN HAGOOD

MICHAEL LITTLE

JEREMY BISHOP

MARK THORNTON

LANE POLAND

---

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

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MEMBERS OF THE

AICPA & MSCPA

Honorable Mayor and Board of Aldermen  
Town of Guntown, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Guntown, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the Town of Guntown, Mississippi's basic financial statements and have issued our report thereon dated February 14, 2011. 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 Guntown, 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 Guntown, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Guntown, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Findings 1, 4, 5 and 6 are considered Material Weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Findings 1, 2, 3, 4, 5, 6, and 7 are considered Significant Deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Guntown, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 responses as items 1, 2, 5, and 7.

We noted certain other matters that we reported to management of the Town of Guntown, Mississippi, in a separate letter dated February 14, 2011.

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

This report is intended solely for the information and use of management, Board of Aldermen, others within the entity, 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.*

Franks, Franks & Jarrell, P.A.

Tupelo, MS

February 14, 2011



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

CERTIFIED PUBLIC ACCOUNTANTS

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MARK THORNTON

LANE POLAND

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

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MEMBERS OF THE

AICPA & MSCPA

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

Honorable Mayor and Board of Alderman  
Town of Guntown, Mississippi

We have audited the financial statements of the Town of Guntown, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated February 14, 2011. 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 the *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 are included in the Schedule of Findings and Responses as items 1, 2, 5 & 7.

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 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.  
February 14, 2011

**TOWN OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS  
September 30, 2010**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 1**

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

**Cause of Condition:** The Town had a budget overage in one expenditure category for the year ended September 30, 2010.

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

**Response:** The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

**FINDING NO. 2**

**Criteria:** The Town is to maintain adequate subsidiary records substantiating the existence, completeness, and valuation of fixed assets.

**Cause of Condition:** The Town did not conduct an annual inventory observations of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor. The Town does not have a complete, compliant listing of fixed assets.

**Recommendation:** The Town should conduct a year-end inventory of its fixed assets. The Town has prepared a listing of assets owned by the Town; however, it did not include all necessary information for each asset.

**Response:** The Town will establish an inventory policy that will require a complete annual inventory of all fixed assets. All assets will be properly tagged and numbered and relevant information will be gathered on all assets and included on the master fixed asset listing.

**TOWN OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS  
September 30, 2010**

**FINDING NO. 3**

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

**Cause of Condition:** The Town's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of water and sewer revenues and court fines. Specifically, one employee who is in charge of the utility billing and collection process also is authorized to make adjustments to customer accounts. Additionally, a single employee is in charge of fine collections, docket entry, and warrant issuances. The Town's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

**Recommendation:** The Town should consider segregation of duties in all areas of the accounting system. The Town should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult; however, the Town should strengthen segregation of duties in all areas possible.

**Response:** The Town will analyze the accounting system and establish procedures that provide clear segregation of duties.

**FINDING NO. 4**

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

**Cause of Condition:** During our audit test work, we noted an employee who had cashed two of their own personal checks in the utility cash drawer that they were responsible for maintaining. The checks were dated prior to the date of the cash drawer count resulting in the employee borrowing funds from the Town.

**Recommendation:** The Town should implement a policy prohibiting the cashing of personal checks and the borrowing of funds of the Town by all employees.

**Response:** The Town will ensure that no personal checks are cashed and that Town funds are not loaned to employees.

**TOWN OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS  
September 30, 2010**

**FINDING NO. 5**

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

**Cause of Condition:** The Town purchased a vehicle without first obtaining board approval.

**Recommendation:** The Town should implement process to ensure no warrants are issued without first being approved by the Town's board.

**Response:** The Town will establish procedures to ensure that future purchases are in compliance with state laws. Within days of this transaction, the Town was reimbursed for the vehicle purchased not in accordance with state laws.

**FINDING NO. 6**

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

**Cause of Condition:** During our testing of court fines, we noted six tickets that could not be produced for various reasons. Two of the tickets were written but never appeared in the court docket.

**Recommendation:** The Town should develop a system of accountability for all ticket books and tickets within each book. This system should include a system to track tickets from issuance to disposition.

**Response:** The Town will establish controls to account for ticket books issued and track tickets from issuance to disposition.

**TOWN OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF FINDINGS**  
**September 30, 2010**

**FINDING NO. 7**

**Criteria:** The Town is to maintain adequate internal controls to ensure the safeguard of public funds maintained by the Town.

**Cause of Condition:** The Town is a participant in the State Collateral Pool Program set forth by the State Treasurer and authorized under Section 27-105-5 of the Mississippi Code. Under this program, the State of Mississippi collateralizes the Town's funds deposited in financial institutions. The Town is responsible for reporting all of the Town's deposits to the State Treasurer's Office and reconciling their records with printouts provided quarterly by the Treasurer. During our testing of compliance with this program, we noted three accounts not collateralized by the Treasurer under the state collateral pool program.

**Recommendation:** The Town should implement adequate internal controls over all its accounting functions sufficient to provide periodic reconciliation of public deposits maintained by the Town to the amounts reported by the State Treasurer under the State Collateral Pool Program.

**Response:** The Town will establish periodic collateral reconciliation policies for all accounts of the Town.

*\* Findings 1, 2, 3, 4, 5, 6, and 7 are considered Significant Deficiencies.*

*\* Findings 1, 4, 5 and 6 are considered Material Weaknesses.*

*\*Findings 1, 2, 5 and, 7 are considered noncompliance findings.*