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TOWN OF PRENTISS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

TOWN OF PRENTISS

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TOWN OF PRENTISS

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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Pearl, MS 39208
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American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Aldermen
Town of Prentiss

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Prentiss, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the Town of Prentiss, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

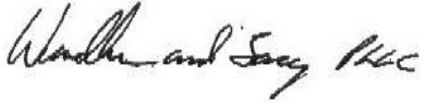
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Town of Prentiss as of September 30, 2010, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2011, on our consideration of the Town of Prentiss's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Prentiss has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prentiss's basic financial statements. The other required supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other required supplementary information 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 it.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
April 29, 2011

TOWN OF PRENTISS

FINANCIAL STATEMENTS

Town of Prentiss
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2010

	<u>Cash</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes</u>		
		<u>Disbursements</u>	<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Functions/Programs							
Governmental Activities:							
General government	\$ 281,862	5,160	13,500		(263,202)		(263,202)
Public safety	585,061	59,687	50,140	70,000	(405,234)		(405,234)
Public works	448,500	84,901		169,588	(194,011)		(194,011)
Culture and recreation	11,600				(11,600)		(11,600)
Interest on long-term debt	6,188				(6,188)		(6,188)
Total Governmental Activities	<u>1,333,211</u>	<u>149,748</u>	<u>63,640</u>	<u>239,588</u>	<u>(880,235)</u>	<u>0</u>	<u>(880,235)</u>
Business-type Activities:							
Water/Sewer	572,655	359,588		232,448		19,381	19,381
Total Business-type Activities	<u>572,655</u>	<u>359,588</u>	<u>0</u>	<u>232,448</u>	<u>0</u>	<u>19,381</u>	<u>19,381</u>
Total Government	\$ <u>1,905,866</u>	<u>509,336</u>	<u>63,640</u>	<u>472,036</u>	<u>(880,235)</u>	<u>19,381</u>	<u>(860,854)</u>

(Continued)

Town of Prentiss
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2010

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
General Receipts			
Taxes:			
Property taxes	\$ 254,327		254,327
Road & bridge privilege taxes	53,102		53,102
Sales tax	463,380		463,380
Franchise taxes	60,112		60,112
Grants and contributions not restricted to specific programs	21,430		21,430
Unrestricted investment income	2,348	4,240	6,588
Miscellaneous	33,359		33,359
Total General Receipts	<u>888,058</u>	<u>4,240</u>	<u>892,298</u>
Change in net assets	<u>7,823</u>	<u>23,621</u>	<u>31,444</u>
Net Assets - Beginning	<u>733,173</u>	<u>555,054</u>	<u>1,288,227</u>
Net Assets - Ending	<u>\$ 740,996</u>	<u>578,675</u>	<u>1,319,671</u>

ASSETS

Cash and cash equivalents	\$ 1,269,637
Restricted cash	50,034
Total Assets	<u>\$ 1,319,671</u>

NET ASSETS

Restricted:	
Restricted for debt service	22,448
Restricted for court bonds and restitution	3,326
Restricted for meter deposits	24,260
Unrestricted	1,269,637
Total Net Assets	<u>\$ 1,319,671</u>

The notes to the financial statements are an integral part of this statement

Town of Prentiss
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and For the Year Ended September 30, 2010

	<u>Governmental Activities</u>				<u>Business-type Activities</u>		
	<u>Major Funds</u>				<u>Major Funds</u>		
	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Funds</u>	<u>Capital Projects Grant Fund</u>	<u>Total</u>
RECEIPTS							
Ad valorem taxes	\$ 171,015		83,312	254,327			
Road and bridge tax	53,102			53,102			
License and permits	5,160			5,160			
Franchise taxes on utilities	60,112			60,112			
Grand Gulf payments in lieu of tax	16,674			16,674			
Intergovernmental revenues:							
Federal revenues:							
Public safety grants	32,027			32,027			
Federal airport grant		165,241		165,241			
CDBG Water System Improvement Project						232,448	232,448
State shared revenues:							
Sales taxes	463,380			463,380			
State grants	74,562			74,562			
State airport grant		4,347		4,347			
Alcoholic beverage tax	900			900			
General municipal aid	601			601			
Gasoline tax	3,256			3,256			
Fire insurance rebate			6,106	6,106			
Local shared revenues:							
Aid from County	13,500		7,444	20,944			
Charges for services:							
Garbage	84,901			84,901			
Water and sewer utility					359,489		359,489
Fines and forfeits	59,687			59,687			
Interest income	2,228	3	117	2,348	4,240		4,240
Miscellaneous revenue	27,782		5,577	33,359			
Total Receipts	<u>1,068,887</u>	<u>169,591</u>	<u>102,556</u>	<u>1,341,034</u>	<u>363,729</u>	<u>232,448</u>	<u>596,177</u>

(Continued)

**Town of Prentiss
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2010**

	<u>Governmental Activities</u>				<u>Business-type Activities</u>		
	<u>Major Funds</u>				<u>Major Funds</u>		
	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total</u>
DISBURSEMENTS							
General government	216,862			216,862			
Public safety	524,378		1,036	525,414			
Public works	250,825			250,825			
Culture and recreation			11,600	11,600			
Water and sewer utility							
Personal services					152,033		152,033
Supplies					50,141		50,141
Utilities					74,094		74,094
Other services and charges					9,392		9,392
Total Disbursements	<u>992,065</u>	<u>0</u>	<u>12,636</u>	<u>1,004,701</u>	<u>285,660</u>	<u>0</u>	<u>285,660</u>
Excess of Receipts over (under) Disbursements	<u>76,822</u>	<u>169,591</u>	<u>89,920</u>	<u>336,333</u>	<u>78,069</u>	<u>232,448</u>	<u>310,517</u>
OTHER CASH SOURCES (USES)							
Capital outlay - improvements	(23,737)			(23,737)		(232,448)	(232,448)
Capital outlay - equipment	(13,647)		(46,000)	(59,647)	(20,000)		(20,000)
Capital outlay - airport improvements		(173,938)		(173,938)			
Principal paid on bonds and notes			(65,000)	(65,000)	(30,526)		(30,526)
Interest paid on bonds and notes			(6,188)	(6,188)	(3,922)		(3,922)
Transfers in (out) to other funds	(4,350)	4,350		0	(100)	100	
Total Other Cash Sources and (Uses)	<u>(41,734)</u>	<u>(169,588)</u>	<u>(117,188)</u>	<u>(328,510)</u>	<u>(54,548)</u>	<u>(232,348)</u>	<u>(286,896)</u>
Excess (Deficiency) of receipts and other cash sources over disbursements and other cash uses	<u>35,088</u>	<u>3</u>	<u>(27,268)</u>	<u>7,823</u>	<u>23,521</u>	<u>100</u>	<u>23,621</u>
CASH BASIS FUND BALANCE - Beg. Of Year	<u>518,867</u>	<u>266</u>	<u>214,040</u>	<u>733,173</u>	<u>555,054</u>	<u>0</u>	<u>555,054</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 553,955</u>	<u>269</u>	<u>186,772</u>	<u>740,996</u>	<u>578,575</u>	<u>100</u>	<u>578,675</u>

(Continued)

**Town of Prentiss
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2010**

	<u>Governmental Activities</u>				<u>Business-type Activities</u>		
	<u>General Funds</u>			<u>Total</u>	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Non-Major Funds</u>		<u>Water/Sewer Fund</u>	<u>Capital Projects Grant Fund</u>	
CASH BASIS ASSETS - End of Year							
Cash and cash equivalents	\$ 550,629	269	164,324	715,222	554,315	100	554,415
Restricted cash	3,326		22,448	25,774	24,260		24,260
Total Cash Basis Assets	<u>\$ 553,955</u>	<u>269</u>	<u>186,772</u>	<u>740,996</u>	<u>578,575</u>	<u>100</u>	<u>578,675</u>
CASH BASIS FUND BALANCES - End of Year							
Unreserved	\$ 553,955	269	186,772	740,996	578,575	100	578,675
Total Cash Basis Fund Balances	<u>\$ 553,955</u>	<u>269</u>	<u>186,772</u>	<u>740,996</u>	<u>578,575</u>	<u>100</u>	<u>578,675</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PRENTISS

Notes to Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town of Prentiss, Mississippi, (the Town) was incorporated March 3, 1903. The Town operates under an alderman/mayor form of government and provides all of the rights and privileges provided by statute for municipalities.

The financial statements of the Town have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Town combines the Statement of Activities and Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

TOWN OF PRENTISS

Notes to Financial Statements
September 30, 2010

The Town reports the following major Governmental Funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects grant fund* accounts for grants to be used for capital expenditures and improvements.

The Town reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer system.

The *capital projects grant fund* accounts for grants to be used for capital expenditures and improvements.

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

Amounts reported as *program receipts* include (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

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

D. Assets and Net Assets or Equity.

1. *Cash and Investments.*

The government's cash and cash equivalents is considered to be cash on hand or invested in certificates of deposit.

2. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(2) Cash and Cash Equivalents

At year-end, the Town's carrying amount of deposits was \$1,319,671 and the bank balance was \$1,324,729. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. 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.

TOWN OF PRENTISS

Notes to Financial Statements September 30, 2010

Custodial Credit Risk – Deposits and Investments: Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution trust department or agent in the name of the Mississippi State Treasury on the behalf of the Town. As of September 30, 2010, none of the Town's bank balance of \$1,324,729 was exposed to custodial risk.

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The Town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

(3) Defined Benefit Pension Plan.

Plan Description: The Town of Prentiss 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 Employees' Retirement System, PERS Building, at 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 9.00% of their annual covered salary and the Town 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's contributions to PERS for the years ended September 30, 2010, 2009 and 2008 were \$65,114, \$63,436, and \$61,747, respectively, which is equal to the required contributions for each year.

TOWN OF PRENTISS

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Prentiss
 Budgetary Comparison Schedule -
 Budget and Actual
 General Fund
 For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUE				
General property taxes	\$ 150,048	171,015	171,015	
Road and bridge tax	49,000	53,102	53,102	
License and permits	5,250	5,160	5,160	
Franchise taxes on utilities	65,000	60,112	60,112	
Grand Gulf payments in lieu of tax	16,000	16,674	16,674	
General municipal aid	2,300	601	601	
Sales taxes	444,000	463,380	463,380	
Gasoline tax		3,256	3,256	
Alcoholic beverage tax	1,800	900	900	
Aid from county	13,500	13,500	13,500	
Federal grants		32,027	32,027	
State grants		74,562	72,402	
Garbage	90,000	84,901	84,901	
Fines and forfeits	50,000	59,687	61,847	
Interest income	7,500	2,228	2,228	
Miscellaneous revenue	5,000	27,782	27,782	
Total Revenue	<u>899,398</u>	<u>1,068,887</u>	<u>1,068,887</u>	<u>0</u>
EXPENDITURES				
General government	230,480	216,862	216,862	
Public safety	574,300	524,378	537,930	
Public works	284,300	250,825	250,825	
Culture and recreation	21,100			
Total Expenditures	<u>1,110,180</u>	<u>992,065</u>	<u>1,005,617</u>	<u>(13,552)</u>
Excess of Revenue over (under) Expenditures	<u>(210,782)</u>	<u>76,822</u>	<u>63,270</u>	<u>(13,552)</u>
OTHER CASH SOURCES (USES)				
Capital expenditure		(37,384)	(23,832)	
Transfers out		(4,350)	(4,350)	
Total Other Cash Sources and Uses	<u>0</u>	<u>(41,734)</u>	<u>(28,182)</u>	<u>13,552</u>
Net Change in Cash Basis Fund Balance	(210,782)	35,088	35,088	0
Cash Basis Fund Balances - Beginning	<u>250,000</u>	<u>518,867</u>	<u>518,867</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 39,218</u>	<u>553,955</u>	<u>553,955</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

TOWN OF PRENTISS

Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

C. Budget Reconciliation.

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

TOWN OF PRENTISS

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**Town of Prentiss
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2010**

<u>Definition and Purpose</u>	<u>Balance Outstanding Oct. 1, 2009</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding Sept. 30, 2010</u>
		<u>Issued</u>	<u>Redeemed</u>	
General Obligation Bond	\$ 275,000		65,000	210,000
CDBG Loan - Prentiss Complex	457,000			457,000
MDECD Loan 6-308-CP-01	50,436		16,257	34,179
MDECD Loan 9-308-CP-01	<u>78,839</u>	<u> </u>	<u>14,269</u>	<u>64,570</u>
Total	<u>\$ 861,275</u>	<u>0</u>	<u>95,526</u>	<u>765,749</u>

**Town of Prentiss
Schedule of Investments - All Funds
September 30, 2010**

	<u>Balance</u>
General Fund	
.98% Certificate of Deposit, dated May 26, 2010, due 24 months after date	\$ 100,250
.150% Certificate of Deposit, dated September 15, 2010, due 12 months after date (Allocated*)	<u>123,107</u>
Total General Fund investments	<u>223,357</u>
Municipal Fire Fund	
.150% Certificate of Deposit, dated September 15, 2010, due 12 months after date (Allocated*)	<u>1,162</u>
Total Municipal Fire Fund	<u>1,162</u>
Water and Sewer Fund	
.150% Certificate of Deposit, dated September 15, 2010, due 12 months after date (Allocated*)	<u>316,626</u>
Total Water and Sewer Fund	<u>316,626</u>
Total All Funds	<u>\$ 541,145</u>

* Note: One certificate of deposit in the amount of \$440,895 at .150% dated September 15, 2010 due 12 months after date is allocated for the amounts indicated between the funds.

**Town of Prentiss
Schedule of Surety Bonds For Municipal Officials and Employees
For the Year Ended September 30, 2010**

<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Aldermen	Old Republic Surety Company	\$ 25,000
Mayor	Old Republic Surety Company	\$ 25,000
Municipal Clerk	Western Surety Company	\$ 50,000
Office Clerk/Deputy Town Clerk	Western Surety Company	\$ 50,000
Municipal Court Clerk	Western Surety Company	\$ 50,000
Deputy Municipal Clerk	Western Surety Company	\$ 50,000
Police Chief	Western Surety Company	\$ 50,000
Policemen (5)	Western Surety Company	\$ 50,000
Firemen Dispatcher (3)	Western Surety Company	\$ 50,000
Fireman (1)	Western Surety Company	\$ 10,000

TOWN OF PRENTISS

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
Town of Prentiss, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Prentiss, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise Town of Prentiss, Mississippi's basic financial statements and have issued our report thereon dated April 29, 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 Town of Prentiss, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

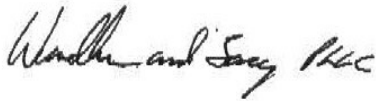
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Prentiss, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
April 29, 2011

Windham and Lacey, PLLC

Certified Public Accountants

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Pearl, MS 39208
(601)939-8676

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

Honorable Mayor and
Members of the Board of Aldermen
Town of Prentiss, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Prentiss, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the town's compliance with these requirements. 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 instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

Finding

The Town did not include a Schedule of Capital Assets in the audit report as required by Office of the State Auditor.

Recommendation

The Town should include a Schedule of Capital Assets in the audit report.

Town's Response

In future years, we will include a Schedule of Capital Assets in the audit report.

The Office of 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 solely for the information and use 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.



Windham and Lacey, PLLC
April 29, 2011

TOWN OF PRENTISS

Schedule of Findings
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.