

Nick Tremonte, Mayor
Kent Alday, Alderman
Amy Douglas, Alderman



D.L. Ford, Alderman
Theresa Marble, Alderman
Richard White, Alderman

September 21, 2011

Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205
Re: Annual Municipal Audit

REFERENCE: Legal Notice to Depositories

To whom it may concern:

Accompanying this letter is a copy of the annual audit of the City of Byram, Mississippi, for the fiscal year ended September 30, 2010. In connection with this audit, a separate management letter was not written to the city. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Nick Tremonte", is written over the typed name.

Nick Tremonte, Mayor

City of Byram, Mississippi

Audited Financial Statements
September 30, 2010

**City of Byram, Mississippi
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FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Mayor and Board of Aldermen
City of Byram, Mississippi

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Byram, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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 August 4, 2011 on our consideration of the City of Byram'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 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 accompanying management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted of inquires 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 4, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Byram
Management Discussion and Analysis
For the year ended September 30, 2010

This Discussion and Analysis of the City of Byram financial performance provides an overall review of the City's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance. The City of Byram became Mississippi's 297th municipality on June 25, 2009. Since this is the first year that the City reports financial activity, the Discussion and Analysis that is presented in this report does not contain prior year figures.

Financial Highlights

Key financial highlights for 2010 were as follows:

- Total net assets were \$ 8,345,511.
- General revenues account for \$3,848,561, or 92% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$341,418 or 8% of total revenues.
- The City had \$1,152,135 in expenses; \$341,418 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,848,561 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$4,188,716 in revenues and \$1,265,479 in expenditures. The General Fund's fund balance increased \$2,923,237.
- Capital assets, net of accumulated depreciation, were \$5,421,011.

Using this Annual Financial Report

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

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

Reporting the City of Byram as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question.

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

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

In the Statement of Net Assets and the Statement of Activities, all of the City's activities are reported in Governmental Activities, which include all of the City's services including police, fire, administration and all other departments. The City of Byram has no Component units as defined by the Governmental Accounting Standard Board (GASB).

Reporting the City of Byram's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established a few funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Byram, the City's major

fund is the General Fund.

Governmental Funds

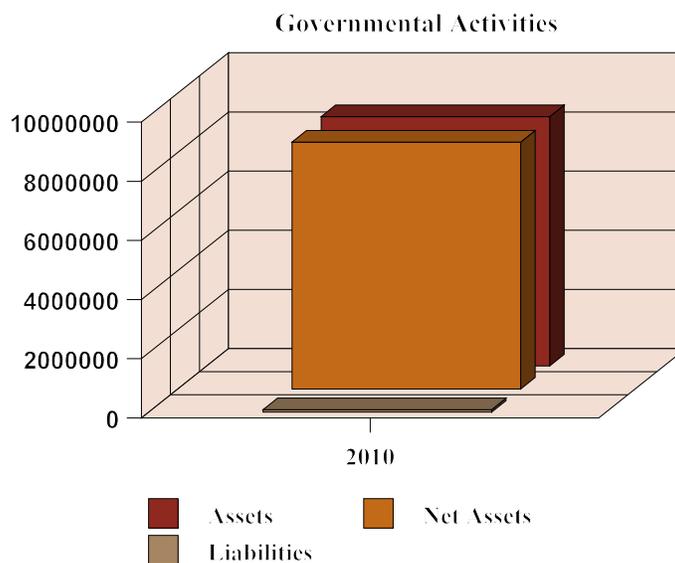
All of the City’s activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures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

The City of Byram as a Whole

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time the trend as well as the amount of net assets may serve as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$8,345,511 at September 30, 2010.

The following chart depicts the total amount of assets, liabilities, and net assets as of September 30, 2010.



The largest portion of the City’s net assets (\$5,421,011 or 65%) reflect its investment in capital assets. It should be noted that the resources needed to repay this debt must be provided from other sources and not the capital assets themselves.

The following are significant current year transactions that have had an impact on the Government-Wide Statement of Net Assets - Governmental Activities.

- The City of Byram acquired infrastructure assets from Hinds County, Mississippi in the amount of \$10,079,537.

The table below shows the amount of assets, liabilities, and net assets for the Government-Wide Statement of Net Assets.

Government-Wide Governmental Activities	
<u>September 30, 2010</u>	
Assets:	
Current Assets	\$ 3,006,724
Capital Assets	5,421,011
Total Assets	<u>8,427,735</u>
Liabilities:	
Current Liabilities	<u>82,224</u>
Total Liabilities	<u>82,224</u>
Net Assets:	
Invested in Capital Assets	5,421,011
Restricted	1,263
Unrestricted	<u>2,923,237</u>
Total Net Assets	<u>\$ 8,345,511</u>

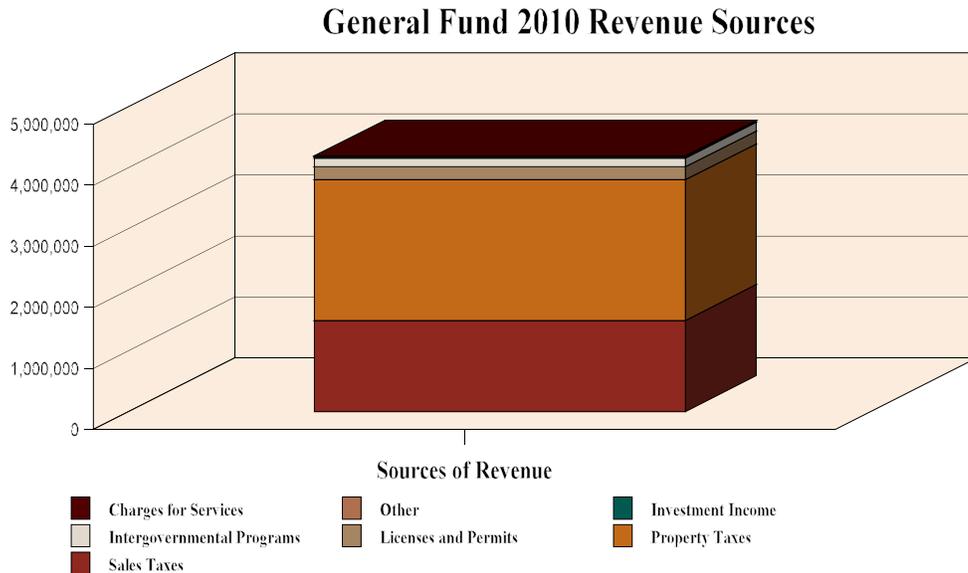
The following table depicts the revenues by major sources extracted from the government-wide statement of activities.

**Government-Wide
Governmental Activities**

	Year Ended September 30, 2010
Revenues:	
Program Revenues:	
Charges for services	\$ 210,740
Operating grants and contributions	130,678
Total Program Revenues	341,418
General Revenues:	
Intergovernmental / Unrestricted	1,493,274
Property Taxes	2,307,169
Other Taxes	14,969
Unrestricted Investment Income	19,482
Miscellaneous	13,667
Total General Revenues	3,848,561
Total Revenues	4,189,979
 Expenses:	
General Government	882,958
Public Safety	144,085
Public Services	125,092
Total Expenses	1,152,135
Increase (decrease) in net assets	3,037,844
Net Assets, Beginning	0
Prior Period Adjustment	5,307,667
Net Assets, Restated	5,307,667
Net Assets, Ending	\$ 8,345,511

GENERAL GOVERNMENT FUNCTIONS

The City's General Fund is used to account for expenditures of traditional services as well as all financial resources other than those required to be accounted for in other funds. General Fund revenues include property tax, intergovernmental revenues, various permit fees, franchise taxes, fines, and other sources as indicated on the accompanying graphs and schedules.



Revenues

The primary source of General Fund revenues is sales tax. The State of Mississippi levies a general sales tax of 7% on most retail sales. Of the amount collected by the state, each municipality receives 18.5% of the amount collected within its corporate boundaries. Sales tax accounted for 36% of General Fund revenues in fiscal year 2010. Sales tax collections in fiscal year 2010 were \$1,493,274. Total General Fund operating revenues were \$4,188,716.

Assessed valuation within the City was \$71,442,362 and it is expected that the City continues to attract residents and business alike.

Expenditures

General Fund operating expenditures were \$1,265,479. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2010.

GENERAL FUND

September 30, 2010

Revenues:

Sales taxes	\$	1,493,274
Property taxes		2,307,169
Licenses and permits		210,340
Investment income		19,482
Charges for services		400
Intergovernmental revenues		144,384
Other		13,667
Total Revenues		<u>4,188,716</u>

Expenditures:

General government	697,009
Public safety	469,942
Public services	98,528
Total Expenditures	<u>1,265,479</u>

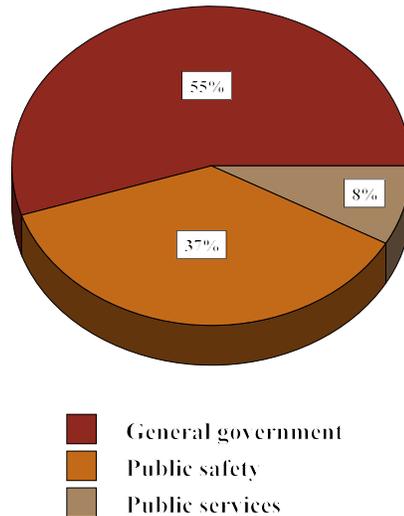
Changes in fund balances 2,923,237

Beginning fund balance - October 1, 2009

Ending fund balance - September 30, 2011 \$ 2,923,237

The following chart displays the expenditures by department in the General Fund:

Expenditures in the General Fund



Status of Fund Balance

On the General Fund balance sheet, fund balance is presented showing that portion which is legally reserved for a specific use and the remaining unreserved portion which is available for appropriation. The fiscal year ended September 30, 2010 ending unreserved fund balance is \$2,923,237.

Other Governmental Funds

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$2,924,500. \$2,923,237 of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$1,263 is reserved or designated to indicate that it is not available for spending because it has already been committed.

General Fund Budgeting Highlights

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

During the course of 2010, the City budgeted its general fund expenditures taking into consideration the need to repair additional streets and purchase additional capital equipment.

An analysis of the final budget to actual budget variances reveal consistent cost saving at each department level as detailed at Exhibit B-1.

The City of Byram's ending cash balance in the general fund was \$3,004,276.

CAPITAL ASSETS AND LONG-TERM DEBT OBLIGATIONS

Governmental Activities:

	Capital Assets (Net of Depreciation)	
	September 30, 2010	
Land	\$	36,658
Infrastructure		5,070,093
Buildings		220,236
Mobile equipment		77,625
Furniture and equipment		16,399
Total	\$	5,421,011

Governmental Activities:

Long-Term Obligations at Year End

The City did not have any long-term obligations at year end.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Angela Richburg, City Clerk, at (601) 372-7746 or visit our web site at www.byram-ms.us. Our mailing address is City of Byram, P.O. Box 720222, Byram, MS 39272.

FINANCIAL STATEMENTS

CITY OF BYRAM
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities
Assets	
<i>Current Assets:</i>	
<i>Cash and cash equivalents</i>	\$ 3,005,539
<i>Other receivables</i>	1,185
<i>Total Current Assets</i>	<u>3,006,724</u>
<i>Non-Current Assets:</i>	
<i>Capital assets:</i>	
<i>Land and construction in progress</i>	36,658
<i>Other capital assets, net</i>	5,384,353
<i>Total Non-Current Assets</i>	<u>5,421,011</u>
Total Assets	<u><u>8,427,735</u></u>
Liabilities:	
<i>Current Liabilities:</i>	
<i>Claims payable</i>	82,224
<i>Total Current Liabilities</i>	<u>82,224</u>
Total Liabilities	<u>82,224</u>
Net Assets:	
Invested in Capital Assets	5,421,011
Restricted Net Assets:	
Unemployment	1,263
Unrestricted	2,923,237
Total Net Assets	<u><u>\$ 8,345,511</u></u>

The accompanying notes are an integral part of this statement.

CITY OF BYRAM

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<i>Governmental activities:</i>				
General government	\$ 882,958	\$ 210,740	\$ 130,678	\$ (541,540)
Public safety	144,085	--	--	(144,085)
Public works	125,092	--	--	(125,092)
Total Governmental Activities	<u>\$ 1,152,135</u>	<u>\$ 210,740</u>	<u>\$ 130,678</u>	<u>(810,717)</u>
General Revenues:				
Intergovernmental / Unrestricted				1,493,274
Property taxes				2,307,169
Road and bridge privilege taxes				11,790
Other taxes				3,179
Unrestricted investment income				19,482
Miscellaneous				13,667
Total General Revenues				<u>3,848,561</u>
Change in Net Assets				3,037,844
Net Assets - Beginning				--
Prior Period Adjustment				<u>5,307,667</u>
Net Assets - Restated				<u>5,307,667</u>
Net Assets - Ending				<u>\$ 8,345,511</u>

The accompanying notes are an integral part of this statement.

CITY OF BYRAMBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Unemployment Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
<i>Pooled cash and cash equivalents</i>	\$ 3,004,276	\$ 1,263	\$ 3,005,539
<i>Other receivables</i>	1,185	--	1,185
Total Assets	<u>\$ 3,005,461</u>	<u>\$ 1,263</u>	<u>\$ 3,006,724</u>
Liabilities and Fund Balances:			
Liabilities:			
<i>Claims payable</i>	\$ 82,224	\$ --	\$ 82,224
Total Liabilities	<u>82,224</u>	<u>--</u>	<u>82,224</u>
Fund balances:			
Reserved for:			
Unemployment		1,263	1,263
Unreserved reported in:			
<i>General Fund</i>	2,923,237	--	2,923,237
Total Fund Balances	<u>2,923,237</u>	<u>1,263</u>	<u>2,924,500</u>
Total Liabilities and Fund Balances	<u>\$ 3,005,461</u>	<u>\$ 1,263</u>	<u>\$ 3,006,724</u>

The accompanying notes are an integral part of this statement.

CITY OF BYRAM*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010*

Total fund balances - governmental funds balance sheet	\$ 2,924,500
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	<u>5,421,011</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 8,345,511</u>

The accompanying notes are an integral part of this statement.

CITY OF BYRAM

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010*

	General Fund	Unemployment Fund	Total Governmental Funds
Revenues:			
<i>Sales taxes</i>	\$ 1,493,274	\$ --	\$ 1,493,274
<i>Property taxes</i>	2,307,169	--	2,307,169
<i>Licenses and permits</i>	210,340	--	210,340
<i>Investment income</i>	19,482	--	19,482
<i>Charges for services</i>	400	--	400
<i>Intergovernmental programs</i>	144,384	--	144,384
<i>Other</i>	13,667	1,263	14,930
Total Revenues	<u>4,188,716</u>	<u>1,263</u>	<u>4,189,979</u>
Expenditures:			
<i>General government</i>	697,009	--	697,009
<i>Public safety</i>	469,942	--	469,942
<i>Public Services</i>	98,528	--	98,528
Total Expenditures	<u>1,265,479</u>	<u>--</u>	<u>1,265,479</u>
 Net Change in Fund Balances	 <u>2,923,237</u>	 <u>1,263</u>	 <u>2,924,500</u>
Fund balances - beginning - October 1	--	--	--
Fund balances - ending - September 30	<u>\$ 2,923,237</u>	<u>\$ 1,263</u>	<u>\$ 2,924,500</u>

The accompanying notes are an integral part of this statement.

CITY OF BYRAM

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010*

Net change in fund balances - total governmental funds	\$ 2,924,500
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	378,985
The depreciation of capital assets used in governmental activities is not reported in the funds.	<u>(265,641)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 3,037,844</u>

The accompanying notes are an integral part of this statement.

City of Byram, Mississippi
Notes to the Financial Statements
September 30, 2010

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Byram are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2010.

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

Financial statements prepared in accordance with GASB Statement No. 34 include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

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

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

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

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

Statement of Activities - The government-wide statement of activities reports expenses and

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

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

Budgetary Comparison Schedules - Many governments revise their original budgets over the course of the year for a variety of reasons. Budgetary comparison information is required, therefore the government's original budget is compared to the final budget and actual results.

A. FINANCIAL REPORTING ENTITY

In 2006, a judge ruled that Byram could incorporate with about 20 square miles. On June 25, 2009, Byram officially became Mississippi's 297th municipality. Its Mayor and Board of Aldermen were sworn in Monday June 22nd, 2009 at the State Capitol. The City of Byram's initial elections will be held in June, 2013. The initial slate consisted of a Mayor and five Aldermen. Based upon the results of the 2010 census, the Board of Alderman will consist of 7 individuals due to the population growing to over 10,000.

COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Byram (the primary government) and any component units thereof. Component units must either be (1) a legally separate organization for which the elected officials of the primary government are financially accountable or (2) another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the City of Byram's financial statements to be misleading or incomplete. Based upon the application of these criteria, no potential component unit will be included as a part of the City.

RELATED ORGANIZATIONS

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Due to the recent formation of the City of Byram, the City did not have any related organizations for the year ended September 30, 2010.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-wide Statement of Net Assets, the governmental activities column is presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

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

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize on the major funds. Non-major funds (by category) are summarized into a single column.

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

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

C. BASIS OF PRESENTATION

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Funds that meet these criteria are labeled as such. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section of this report.

The City reports the following funds:

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

1. Major Governmental Funds

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

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

General Fund - The General Fund is the general operating fund of the City. General Tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

Unemployment Fund - This is a special revenue fund that accounts for the funds reserved for unemployment compensation.

3. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide Statement of Net Assets.

D. BASIS OF ACCOUNTING

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

The government-wide statements of net assets and statements of activities are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the balance sheet.

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

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

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

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

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

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

E. ENCUMBRANCES

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. All encumbrances lapse at year-end; accordingly, no encumbrances were outstanding at September 30, 2010.

F. BUDGETS AND BUDGETARY INFORMATION

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

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

The legal level of control, that is the level on which actual expenditures may not legally exceed appropriations, is the major expenditure classifications within departments. Such classifications are Personnel Services, Supplies, Other Charges and Services and Capital Outlay.

All amendments to the budget to the legal level of control must be approved by the City of Byram’s Mayor and Board of Alderman. Management is allowed to amend, without governing body approval, any budget “line items”; that is, amounts below the legal level of control.

The expenditure budget adopted and approved by the duly elected members of the governing

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

authority of the City of Byram is the appropriation ordinance of said municipality.

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

G. UNEARNED REVENUE

In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental funds financial statements, which are recognized when revenues are unavailable.

H. FUND RESERVES

Reserves reported in the governmental funds Balance Sheet are used to indicate that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The following is a description of all reserves used by the City:

Reserved for unemployment - An account that represents the portion of the fund balance that is legally restricted for the payment of unemployment benefits.

I. CASH AND OTHER DEPOSITS AND CASH EQUIVALENTS

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

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

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

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

J. INVESTMENTS

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time deposits with any financial institution approved for the deposit of state funds. The interest earned is reported in the fund reporting the investment.

K. ACCOUNTS RECEIVABLE

Accounts Receivable are reported in the government-wide Statement of Net Assets and the governmental funds Balance Sheet net of allowances for uncollectible receivables.

L. INTERFUND TRANSACTIONS AND BALANCES

In general, eliminations have been made to minimize the double-counting of internal activity. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of the expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets.

M. RESTRICTED NET ASSETS

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

The following is a summary of restricted net assets:

Restricted For:

Unemployment	\$	1,263
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N. CAPITAL ASSETS

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

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

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

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

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

Capital asset thresholds are as follows:

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

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

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

Salvage Values:

Computer Equipment	1%
Furniture	10%

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

Vehicles and Heavy Equipment	10%
Improvements other than Buildings	20%
Buildings	20%
Roads	30%
Bridges	0%

O. COMPENSATED ABSENCES

Upon termination of employment, the City of Byram does not provide payment of accrued personal leave over 30 days to the departing employee. While such leave is accumulated from 10 to 20 days each year, depending on length of service, no payment for medical leave is allowed absent the required evidence of such need.

Unpaid personal leave expected to be paid from the Governmental Funds is reported under Long-term Debt as Compensated Absences. Typically the related Accrued Compensated Absences Expense has been paid from the General Fund.

The respective liabilities are computed utilizing the specific identification method (i.e., each employee's actual accumulated personal leave days are multiplied by the applicable actual per day salary). The City's liability for compensated absences is not recorded in the governmental funds, for such liability may be paid from financial resources not currently available. Compensated absences are reported in governmental funds only if they have matured.

Because of the immaterial nature of this liability for the City's first year of operation, the compensated absences liability is not presented in the financial statements. It is anticipated that, due to an increase in personnel, the liability will be significant for the fiscal year ending September 30, 2011 and will be included in the financial statements.

2. CASH

A. Cash

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 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 Deposit Insurance Corporation. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The carrying amount of the city's deposits with financial institutions was \$3,005,539 and the bank balance was \$3,033,703.

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the city’s deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. As of September 30, 2010, none of the city’s bank balance of \$3,033,703 was exposed to custodial credit risk.

3. RECEIVABLES

A. Accounts Receivable

Accounts receivable at September 30, 2010, consisted of the following:

	General Fund
Other	\$ <u>1,185</u>

4. PROPERTY TAXES

Property held on January 1 of any given year (or brought into the State by March 1 of the same year) is assessed for taxation in the ensuing fiscal year. Such levy, which establishes a lien against the underlying property, is maintained by Hinds County. The assessed value of property on January 1, 2009, upon which the levy was based, was \$71,442,362. The taxes thus assessed are due and payable as follows:

1 st installment	(50% of liability)	on or before Feb. 1
2 nd installment		on or before May 1
Final installment		on or before Aug. 1

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

Property taxes receivable reported in the government-wide Statement of Net Assets and the governmental funds Balance Sheet represent amounts due for unpaid delinquent property taxes at September 30, 2010. Property taxes that are not considered “available” have been reported as deferred revenues in the governmental funds Balance Sheet.

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

5. CAPITAL ASSETS

	Balance 10-1-2009	Additions	Adjustments	Balance 9-30-2010
<u>Non-depreciable capital assets:</u>				
Land	\$	36,658		36,658
Total non-depreciable capital assets	0	36,658	0	36,658
<u>Depreciable capital assets:</u>				
Infrastructure			10,079,537	10,079,537
Buildings		224,731		224,731
Mobile equipment		94,664		94,664
Furniture and equipment		22,932		22,932
Total depreciable capital assets	0	342,327	10,079,537	10,421,864
<u>Less accumulated depreciation for:</u>				
Infrastructure		237,574	4,771,870	5,009,444
Buildings		4,495		4,495
Mobile equipment		17,039		17,039
Furniture and equipment		6,533		6,533
Total accumulated depreciation	0	265,641	4,771,870	5,037,511
Total depreciable capital assets, net	0	76,686	5,307,667	5,384,353
Governmental activities capital assets, net	\$ 0	113,344	5,307,667	5,421,011

Adjustments were made to record acquired infrastructure from Hinds County, Mississippi.

The amount of depreciation expense charged to the respective governmental function in the government-wide Statement of Activities for the period is as follows:

	<u>Amount</u>
General Government	\$ 185,949
Public Safety	53,128
Public Services	<u>26,564</u>
Total depreciation expense	\$ <u>265,641</u>

6. LONG - TERM OBLIGATIONS

As of September 30, 2010 the City did not have any long-term obligations.

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

7. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution rate is 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2010 were \$7,558, which equaled the required contributions for the year.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks.

The city finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The city pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

9. PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments are as follows:

City of Byram, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2010

Exhibit A-2 - Statement of Activities

<u>Explanations:</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
1 To correctly present infrastructure acquired from Hinds County, MS.	\$ <u>5,307,667</u>

10. SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the City of Byram evaluated the activity of the City through the date the report was available to be issued, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

On April 28, 2011 the City authorized the issuance of a Tax Increment Financing Bond in the amount of \$5.5 million to fund the Byram Town Center Project.

REQUIRED SUPPLEMENTAL INFORMATION

City of Byram

Budgetary Comparison Schedule - General Fund
For the year ended September 30, 2010

Exhibit B-1

	Original	Final	Actual	Variance Original to Final	Variance Final to Actual
Revenues:					
Sales taxes	\$ 1,493,179	1,493,179	1,493,274	-	95
Property taxes	2,497,215	2,497,215	2,307,169	-	(190,046)
Licenses and permits	18,875	18,875	210,340	-	191,465
Investment income	19,400	19,400	19,482	-	82
Charges for services	400	400	400	-	-
Intergovernmental programs	144,323	144,323	144,384	-	61
Other	13,660	13,660	13,667	-	7
Total Revenues	4,187,052	4,187,052	4,188,716	-	1,664
Expenditures:					
General government					
Personnel services	152,178	152,178			
Supplies	28,625	28,625			
Contractual services	514,358	514,358			
Capital outlay	53,600	53,600			
Total General government	748,761	748,761	697,009	-	51,752
Public safety					
Personnel services	60,867	60,867			
Supplies	19,325	19,325			
Contractual services	21,300	21,300			
Capital outlay	404,492	404,492			
Total Public safety	505,984	505,984	469,942	-	36,042
Public services					
Personnel services	6,477	6,477			
Supplies	10,975	10,975			
Contractual services	88,020	88,020			
Capital outlay	12,000	12,000			
Total Public services	117,472	117,472	98,528	-	18,944
Total Expenditures	1,372,217	1,372,217	1,265,479	-	106,738
Net Change in Fund Balances	2,814,835	2,814,835	2,923,237	-	108,402
Fund balances - beginning - October 1			-		
Fund balances - ending - September 30			<u>2,923,237</u>		

City of Byram

Budgetary Comparison Schedule - Unemployment Fund
 For the year ended September 30, 2010

Exhibit B-2

	Original	Final	Actual	Variance Original to Final	Variance Final to Actual
Revenues:					
Sales taxes				-	-
Property taxes				-	-
Licenses and permits				-	-
Investment income				-	-
Charges for services				-	-
Intergovernmental programs				-	-
Other	1,525	1,525	1,263	-	(262)
Total Revenues	<u>1,525</u>	<u>1,525</u>	<u>1,263</u>	<u>-</u>	<u>(262)</u>
Expenditures:					
General government					
Personnel services					
Supplies					
Contractual services					
Capital outlay					
Total General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety					
Personnel services					
Supplies					
Contractual services					
Capital outlay					
Total Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public services					
Personnel services					
Supplies					
Contractual services					
Capital outlay					
Total Public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,525	1,525	1,263	-	(262)
Fund balances - beginning - October 1			-		
Fund balances - ending - September 30			<u>1,263</u>		

City of Byram, Mississippi

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

Budgetary Comparison Schedule

(1) Basis of Presentation

All funds of the City of Byram, Mississippi, governmental, are budgeted, and are presented in either the accompanying financial statements or in schedules thereto. For comparison purposes, the final, amended budget is utilized, and it is presented on the GAAP basis of accounting. All budgetary appropriations lapse at year-end.

(2) Budget amendments and revisions

The budget is adopted and may be amended by the Board of Aldermen. A budgetary comparison is presented for the general fund and each major fund and is presented on the GAAP basis of accounting.

SUPPLEMENTAL INFORMATION

City of Byram

Schedule of Surety Bonds for Municipal Officials

September 30, 2010

Name	Position	Bond Amount
Nick Tremonte	Mayor	\$ 50,000
D.L. Ford	Alderman	\$ 50,000
Amy Lou Douglas	Alderman	\$ 50,000
Theresa Marble	Alderman	\$ 50,000
Richard White	Alderman	\$ 50,000
Kent Alday	Alderman	\$ 50,000
Wayne Derrick	City Clerk	\$ 50,000
Angela Richburg	City Clerk	\$ 50,000
Linda White	Deputy City Clerk	\$ 50,000
Luke Thompson	Police Chief	\$ 50,000
Linda White	Deputy Court Clerk	\$ 50,000

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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*

Mayor and Board of Aldermen
City of Byram

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Byram as of and for the year ended September 30, 2010, which collectively comprise the City of Byram's basic financial statements and have issued our report thereon dated August 4, 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

Management of the City of Byram is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the city'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 city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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 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 Responses, we identified a certain deficiencies in internal control over financial reporting, that we consider to be a significant deficiency in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses. [Finding **2010-1** and **2010-2**]

A significant deficiency is a deficiency, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The City of Byram's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the Board of Aldermen, management, entities with accreditation overview, 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 4, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Mayor and Board of Aldermen
City of Byram

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Byram, as of and for the year ended September 30, 2010, which collectively comprise the City of Byram's basic financial statements and have issued our report thereon dated August 4, 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.

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 all 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 financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 4, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

City of Byram, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified
2. Noncompliance material to financial statements noted? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

2010-1 Material Weakness

Criteria: The City is responsible for establishing and maintaining effective internal control over the purchasing and accounts payable functions including an adequate segregation of duties in the requisition process, the issuance of purchase orders, and the processing of invoices for payment to various vendors.

Condition: During the audit, it was noted that one individual functioned as both the purchasing clerk and the accounts payable clerk. This employee was authorized to issue purchase orders and to enter transactions to be disbursed upon Board approval to vendors.

Effect: Having a single individual serve in the capacity listed above allows that employee to have control of the following internal control functions including authorization and recording. Due to the incompatible duties performed by one employee, this condition could result in unrecorded transactions, misstated financial reports, undetected errors and/or misappropriation of funds.

Cause: The City has not developed procedures and/or provided adequate staffing to allow for segregation of incompatible functions such as authorization and transaction recording.

Recommendation: The Board of Aldermen should implement effective internal control policies that allow for proper segregation of duties throughout the processes of purchasing and accounts payable from the point of purchase authorization through the claims approval process. Separate employees should approve purchase orders and record invoices into the centralized accounting system for subsequent payment.

Response: Although the staffing has been an issue, our accounts payables and purchase orders were reviewed by the City Clerk prior to ordering and payment. The accounts payables were also reviewed by the Mayor Pro Tem before payments were released. At this time, the Board of Aldermen has leased a facility to accommodate the hiring of additional staff to include an Accounts Payable Clerk to relieve the Deputy City Clerk of these duties to focus more closely on Purchasing. The Accounts Payable position will be filled during the first quarter of the 2011/2012 fiscal year. The City Clerk will also be focusing more closely on additional accounts payable policies to coincide with the current purchasing policy.

A representative of the audit entity has communicated this audit finding with me.

 Angela E. Prichard, City Clerk

2010-2 Material Weakness

Criteria: The City is responsible for establishing and maintaining effective internal control over the payroll function including an adequate segregation of duties in the maintenance of the general ledger, the processing of payroll and other payroll duties.

Condition: During the audit, it was noted that one individual entered all payroll information into the personnel master files, maintained the personnel files including access control to files, maintained payroll journals, prepared payroll checks, distributed payroll checks, reconciled the bank account where payroll transactions were posted, and had responsibility for general ledger functions. Additionally, no review was performed by someone independent of the payroll preparation and bookkeeping functions.

Effect: Having a single individual serve in the capacity listed above allows that employee to have control of the following internal control functions including authorization, custody of assets and recording. Due to the incompatible duties performed by one employee, this condition could result in unrecorded transactions, misstated financial reports, undetected errors and/or misappropriation of funds.

Cause: The City has not developed procedures and/or provided adequate staffing to allow for segregation of incompatible functions such as authorization, recording and custody of assets.

Recommendation: The Board of Aldermen should implement effective internal control policies that allow for proper segregation of duties throughout the payroll function. Management such as a Board-authorized employee should approve other individuals' access to personnel information. Separate individuals should process payroll checks and distribute said checks. Maintenance of payroll journals should be performed by an individual separate of the duties listed in the previous two sentences.

Response: At this time, the Board of Aldermen has leased a facility to accommodate the hiring of additional staff to include Human Resource/Payroll Clerk to relieve the City Clerk of these duties. This will allow the City Clerk to focus more closely on the review and audit of the financial areas. We are currently in the process of filling this position within the current fiscal year or during the first quarter of the 2011/2012 fiscal year. The City Clerk will also focus on establishing additional policies in regards to the Human Resource and Payroll duties.

A representative of the audit entity has communicated this audit finding with me.


Angela E. Pichler, City Clerk