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TOWN OF WALLS

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P.O. Box 35
Walls, Mississippi
38680



Office (662) 781-1282
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Patti Denison, Mayor

Kathy Gordon, Town Clerk

Aug. 1, 2016

Mr. Tom Chain
State Of Mississippi
Office of the State Auditor
P.O.Box 956
Jackson, MS. 39205

Dear Mr. Chian,

Hope this finds you doing well. We finally got back our audited Financial Statement for the year ending Sept. 30, 2014 of which I will be mailing out today.

I will also email it to tech@osa.ms.gov.

Should you have any questions, please feel free to contact myself or Mayor Patti Denison.

Best Regards,

A handwritten signature in black ink that reads "Kathy P. Gordon".

Kathy P. Gordon
Town Clerk
Town of Walls

Cc: Mayor Patti Denison

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**TOWN OF WALLS, MISSISSIPPI
Audited Financial Statement
For the Year Ended September 30, 2014**

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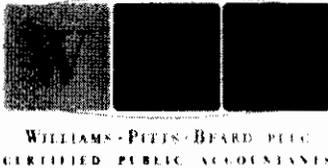


**WILLIAMS-PITTS-BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

TOWN OF WALLS, MISSISSIPPI
Audited Financial Statement
For the Year Ended September 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Aldermen
Town of Walls
Walls, Mississippi

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities and business-type activities of the Town of Walls, Mississippi for the year ended September 30, 2014, and related notes to the financial statement, which collectively comprise the basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

Due to the nature of the Town's records for court fines revenue, we were unable to obtain sufficient appropriate audit evidence about the collections of the court fines.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the respective cash balances of

the governmental activities and the business-type activities of the Town of Walls, Mississippi, as of September 30, 2014, and the respective changes in cash balances thereof for the year then ended in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Town's basic financial statement. The Schedule of Investments and Schedule of Surety Bonds of Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016, on our consideration of the Town'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* in considering the Town's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 8, 2016

FINANCIAL STATEMENT

TOWN OF WALLS, MISSISSIPPI
Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals (Memorandum Only)</u>	
	<u>General</u>	<u>Enterprise</u>	<u>2014</u>	<u>2013</u>
Revenue Receipts				
General property taxes	\$ 329,959	\$ -	\$ 329,959	\$ 273,763
Penalties and interest on delinquent taxes	-	-	-	-
Licenses and permits	6,036	-	6,036	35,721
Franchise fees - public utilities	30,900	-	30,900	22,642
Intergovernmental revenues				
General municipal aid	579	-	579	3,178
State shared revenues				
Sales tax	70,808	-	70,808	40,562
Charges for services				
Sewer charges	-	344,619	344,619	378,746
Fines and forfeits	234,113	-	234,113	152,788
Miscellaneous				
Advertising	28,500	-	28,500	-
Interest	2,988	-	2,988	2,443
Miscellaneous	23,118	-	23,118	32,072
Total Revenue Receipts	727,001	344,619	1,071,620	941,915
Other Receipts				
Federal/state grants received	3,600	153,117	156,717	5,415
Total Receipts	730,601	497,736	1,228,337	947,330

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TOWN OF WALLS, MISSISSIPPI
Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2014

	Governmental Activities	Business-type Activities	Totals (Memorandum Only)	
	General	Enterprise	2014	2013
Disbursements				
General government	\$ 338,047	\$ -	\$ 338,047	\$ 275,565
Public safety	381,404	-	381,404	308,552
Enterprise				
Sanitation	-	218,095	218,095	173,994
Redemption of principal	14,356	15,000	29,356	31,800
Debt service interest	2,346	-	2,346	1,109
Total Disbursements	<u>736,153</u>	<u>233,095</u>	<u>969,248</u>	<u>791,020</u>
Excess (Deficiency) of receipts over disbursements	<u>(5,552)</u>	<u>264,641</u>	<u>259,089</u>	<u>156,310</u>
Other Financing Sources (Uses)				
Capital outlay	(877)	(156,359)	(157,236)	(926)
Proceeds from Loan	-	-	-	250
Transfers	7,006	(7,006)	-	-
Total Other Financing Sources (Uses)	<u>6,129</u>	<u>(163,365)</u>	<u>(157,236)</u>	<u>(676)</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>577</u>	<u>101,276</u>	<u>101,853</u>	<u>155,634</u>
Cash Basis Fund Balance Beginning, Before Adjustment	223,241	388,575	611,816	456,182
Prior Period Adjustment	<u>-</u>	<u>(26,344)</u>	<u>(26,344)</u>	<u>-</u>
Cash Basis Fund Balance Beginning, After Adjustment	<u>223,241</u>	<u>362,231</u>	<u>585,472</u>	<u>456,182</u>
Cash Basis Fund Balance End of Year	<u>\$ 223,818</u>	<u>\$ 463,507</u>	<u>\$ 687,325</u>	<u>\$ 611,816</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WALLS, MISSISSIPPI
Notes to Financial Statement
For the Year Ended September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town operates under a Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire protection), sanitation, public improvements, and general administrative services.

These financial statements present all the funds of the Town. There are no component units as defined by GASB Statement 14.

Basis of Presentation

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.

Fund Financial Statements

The Town segregated transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following governmental funds:

General Fund:

General Fund is the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in the fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Enterprise Fund:

The Enterprise fund is used to account for the provision of sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the sewer system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. This fund is also used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The financial statement is prepared on the cash basis, as prescribed by the Mississippi Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. This is a

TOWN OF WALLS, MISSISSIPPI
Notes to Financial Statement
For the Year Ended September 30, 2014

comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("OCBOA"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Budgets and Budgetary Accounting

The Town follows these procedures in establishing its budgetary data:

The Town Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditure and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the Town.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

Deposits and Investments

For the purpose of the financial statement, "cash" includes all demand, savings accounts, and certificates of deposits (investments) of the Town.

Capital Assets

Capital asset purchases are recorded as expenditures at the time of acquisition. Such assets are not capitalized but instead are fully expensed in the year of purchase. Consequently, depreciation has not been provided on fixed assets.

Total Columns on Statements

The "Total" column on the statement is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or change in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Property Tax Revenues

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more the 110% of the amount which resulted from the assessments of the previous year.

The Board of Alderman, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien are due in the month that coincides with the month of the original purchase.

TOWN OF WALLS, MISSISSIPPI
Notes to Financial Statement
For the Year Ended September 30, 2014

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date when measurable and available; however, under cash basis they are recognized when received.

NOTE B – PRIOR PERIOD ADJUSTMENT

The \$26,344 decrease in utility fund cash is due to a bookkeeping error.

NOTE C- CASH AND INVESTMENTS

Cash:

The collateral for public Town's 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 Deposit Insurance Corporation ("FDIC").

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Town's deposits might not be recovered. As of September 30, 2014, the Town's bank balance was not exposed to custodial credit risk.

As of September 30, 2014, the carrying amount of the Town's deposits was \$687,325 and the bank balance totaled \$727,912. Of the bank balances, \$250,000 was insured by FDIC and \$477,912 was covered by pooled and/or pledged collateral.

NOTE D - SCHEDULE OF LONG-TERM DEBT

Long-term activity for the year ended September 30, 2014 was as follows:

	Definition & Purpose	Balance	Transactions During Year		Balance	Amounts Due within one year
		Outstanding Oct. 1, 2013	Issued	Redeemed	Outstanding Sept. 30, 2014	
First Security Bank	Line of Credit	223	-	-	223	223
First Security Bank	Loan for PD Cars	-	103,842	11,295	92,547	19,859
First Security Bank	Loan for Town Car	-	28,155	3,061	25,094	5,376
Total		\$ 223	\$ 131,997	\$ 14,356	\$ 117,864	\$ 25,458

TOWN OF WALLS, MISSISSIPPI
Notes to Financial Statement
For the Year Ended September 30, 2014

The annual principal and interest requirements to amortize the bank loans outstanding as of September 30, 2014, are as follows:

<u>Year Ending</u> <u>September 30th</u>	<u>Loan for PD cruisers</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 19,859	\$ 2,672
2016	20,504	2,027
2017	21,170	1,361
2018	21,857	674
2019	9,157	73
Total	<u>\$ 92,547</u>	<u>\$ 6,807</u>

<u>Year Ending</u> <u>September 30th</u>	<u>Loan for Town Car</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 5,376	\$ 725
2016	5,551	550
2017	5,731	370
2018	5,917	184
2019	2,522	21
Total	<u>\$ 25,097</u>	<u>\$ 1,850</u>

Legal Debt Margin. The amount of debt, excluding specific exempted debt that can be incurred by the Town is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the Town, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a town issues bonds to repair or replace washed out or collapsed bridges on the public roads of the town. As of September 30, 2014, the amount of outstanding debt was equal to 0% of the latest property assessments.

NOTE E – RISK MANAGMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by the purchase of commercial insurance.

NOTE F - LITIGATION

Management of the Town and its legal counsel have not become aware of any unasserted possible claim or assessment against the Town that calls for financial statement disclosure.

NOTE G - SUBSEQUENT EVENTS

Management of the Town of Walls evaluated the activity of the Town through March 8, 2016, the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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OTHER INFORMATION

TOWN OF WALLS, MISSISSIPPI
Schedule of Surety Bonds of Municipal Officials
September 30, 2014

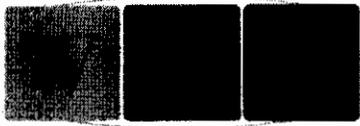
<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>	<u>Effective Dates</u>
Patricia Denison	Mayor	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Ray Denison	Alderman	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Jennifer Doyle	Alderman	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Tammy Patrick	Alderman	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Beverly Work	Alderman	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Vicky Waddey	Alderman	MS Municipal Bond Program	50,000	7/1/2013-7/1/2017
Reggie Harris	Chief of Police	Travelers	50,000	6/10/2014-6/10/2015
Betty Williams	Court Clerk	Travelers	50,000	6/10/2014-6/10/2015
Yolanda Moton	Court Clerk	Travelers	50,000	6/10/2014-6/10/2015
Kathy Gordon	City Clerk	Old Republic Surety Company	50,000	10/12/2013-10/12/2014
Amie Carr	Court Clerk	Old Republic Surety Company	50,000	6/11/2013-6/11/2014
Policeman	Policeman	Travelers	25,000 each	6/10/2013-6/10/2014

SPECIAL REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
Town of Walls
Walls, Mississippi

We have audited, in accordance with the 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, the statement of cash receipts and disbursements of the governmental activities and business-type activities of the Town of Walls, Mississippi, for the year ended September 30, 2014, and the related notes to the financial statements and have issued our report thereon dated March, 8 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, finding 2014-001, 2014-002 and 2014-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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. We noted certain matters that we reported to the management of Town of Walls, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated March 8, 2016, included within this document.

Town of Walls, Mississippi's Response to Findings

Town of Walls, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 8, 2016



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Aldermen
Town of Walls
Walls, Mississippi

We have audited the statement of cash receipts and disbursements of the Town of Walls, Mississippi (the "Town") as of and for the year ended September 30, 2014 and have issued our report dated March 8, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the statement of cash receipts and disbursements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. **Finding:** We noted that the Town is not completing a thorough inventory of all fixed assets owned by the municipality at the end of the fiscal year in accordance with the Mississippi municipal fixed assets management manual as required by Section 7-7-211, Mississippi Code Annotated (1972).

Recommendation: The Town should follow the yearly inventory procedures as outlined in the Mississippi Municipal Audit and Accounting Guide.

Response: The Town did a thorough updated Log of all fixed assets which is now recorded and available for review.

2. **Finding:** The Town is required to develop and maintain a completed and accurate accounting of fixed assets. Subsidiary ledgers should be used to track and record all inventory and fixed assets of the Town. We noted that the Town is not maintaining complete and accurate ledgers for all fixed assets in accordance with the Mississippi municipal fixed assets management manual as required by Section 7-7-211, Mississippi Code Annotated (1972). (Repeated finding)

Recommendation: Complete and accurate records and subsidiary ledgers should be maintained for all inventory and fixed assets in accordance with the Mississippi Municipal Audit and Accounting Guide. At

the end of each fiscal year a thorough inventory of all fixed assets owned by the municipality must be made according to the guidelines set forth in the Mississippi Municipal Audit and Accounting Guide.

Response: All fixed assets are inventoried, labeled and numbered. Numbers are recorded in a log made available for review.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken. The Town's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for the information of the Town's management and the Office of 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 8, 2016

SCHEDULE OF FINDINGS AND RESPONSES

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TOWN OF WALLS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditors' Results

- | | |
|--|----------------------|
| 1. Type of auditor's report issued on the financial statements: | <u>Qualified</u> |
| 2. Internal Control over financial reporting: | |
| (a) Material weakness (es) identified? | <u>Yes</u> |
| (b) Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None Reported</u> |
| 3. Noncompliance material to the financial statements: | <u>None Reported</u> |

Section 2: Financial Statement Findings

Material Weakness

2014-001 Criteria: The Town is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: During the audit, material adjustments to the financial statement were discovered and reported by the external auditors. The Town also relies on external auditors in assisting in the preparation of external financial statement and related disclosures. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity's internal control structure. The Town does not have documented procedures in place that prevent or detect material misstatements in the external financial statement. However, Town management reviewed and approved all adjustments.

Cause: The Town has not developed procedures or provided staffing to prepare external financial statements and, consequently, relies on its external auditors for this function.

Effect: The Town must incur the expense of outsourcing the preparation of its financial statements or train or hire someone who is capable of preparation of its financial statements, related notes and required supplemental information.

Recommendation: The Town should develop internal control procedures to ensure that all material adjustments are reflected in the financial statement. Also, the Town should evaluate the costs and benefits of providing for preparation of external financial statement and related disclosures by its personnel.

Response: The Town will consider the cost and benefits of outsourcing preparation.

2014-002 Criteria: The Town is responsible for establishing and maintaining effective internal control over court fine revenue.

Condition: During the audit, cash receipts for court fines revenue were not able to be traced to the bank statement.

TOWN OF WALLS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Cause: The Town has not developed adequate controls and processes to track the receipt of court fine revenue.

Effect: The Town court fine revenue could be not be audited; therefore, the court fine revenue could be materially misstated.

Recommendation: The Town should develop internal control procedures and processes of consistently reconciling the revenue received from court fine revenue to the bank statement.

Response: The Town has purchased updated court software that will enable us to better track fines and fees received. Also decreased the number of receipt books so that only one is in use.

2014-003

Criteria: The city is responsible for complete and accurate accounting records and control over cash. In addition, Section 21-35-17 of the Mississippi Code states the board shall not approve any claim and the city clerk shall not issue any warrants which would be in excess of budget amounts except under certain conditions.

Condition: The sewer grant fund bank account was not reconciled and showed a balance which was understated by \$76,091. Although it appears the general fund was reconciled in Quickbooks, there were \$25,240 old outstanding items that had not been voided. This caused the general fund cash to be understated by this amount. An old outstanding item in the utility fund caused the balance to be overstated by \$26,344.23

Effect: Without ensuring bank accounts are reconciled timely and old outstanding items are properly reversed, material errors or omissions can exist on financial statements which the board of aldermen rely on to approve expenditures. This could cause a violation of MS Code Section 21-35-17.

Recommendation: Management should create controls or provide any needed training and assistance to ensure bank accounts are reconciled timely and accurately each month.

Response: This was a one-time situation and proper training was received. The Court Clerk will now be able to print report to reconcile with Town Clerk.

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AUG 10 2016