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TOWN OF LIBERTY

County Seat of Amite County, MS



160 CLINIC DRIVE P.O. BOX 301
LIBERTY, MISSISSIPPI 39645
PHONE (601) 657-8071 FAX (601) 657-8078 EMAIL townoflibertyms@yahoo.com

March 14, 2012

Office of the State Auditor
P.O. 956
Jackson, MS 39205

RE: Annual Municipal Audit

Department of Technical Assistance

Accompanying this letter are two copies of the annual audit of the Town of Liberty, Mississippi, for the fiscal year ended September 30, 2012. A separate management letter was written to the Town of Liberty. Enclosed you will find a copy of the management letter along with the audit reports.

Sincerely,

Richard H. Stratton
Mayor
RHS/sbf

Enclosure

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To the Honorable Mayor and Board of Alderpersons
Town of Liberty, Mississippi

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Liberty, Mississippi as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Liberty, Mississippi's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Liberty, Mississippi's internal control. Accordingly we do not express an opinion on the effectiveness of the Town of Liberty, Mississippi'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Liberty, Mississippi's internal control to be significant deficiencies.

segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible. We feel segregation could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.

This communication is intended solely for the information and use of management, Mayor and Board of Alderpersons, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Haddox Reid Buckner & Calhoun PLLC

February 11, 2013
Jackson, Mississippi

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February 11, 2013

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To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 25, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Liberty, Mississippi are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2012. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the

Significant Audit Findings - continued:

Corrected and Uncorrected Misstatements - continued:

appropriate level of management. See the attached list of proposed adjustments for misstatements detected as a result of our audit procedures. Management has corrected all misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Honorable Mayor and Board of Alderpersons and management of the Town of Liberty, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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Client: 05245 - Town of Liberty, Mississippi
 Engagement: FY 2012 - Town of Liberty, Mississippi
 Period Ending: 9/30/2012
 Trial Balance: 1400 - General Fund Database
 Workpaper: 1500 - General Fund - AJE Report

Account	Description	WIP Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass current year income to fund balance account.				
1001199	Current Yr Inc (loss)		9,230.49	
1001190	Fund Balance-General Fund			9,180.49
1001344	Miscellaneous Revenues			50.00
Total			9,230.49	9,230.49
Adjusting Journal Entries JE # 2				
To adjust dtf balance for payroll clearing activity.				
1001093	Due from (to) Payroll		3,455.04	
1001340	Interest Earned			167.54
1100430	Salaries Full Time			3,287.50
Total			3,455.04	3,455.04
Adjusting Journal Entries JE # 3				
To properly reverse NSF check posted twice and shown as a dit on the 9-30-12 bank reconciliation.				
1001021	NSF Check Return - General		150.00	
1001004	General Revenue - Checking			150.00
Total			150.00	150.00
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Adjusting Journal Entries JE # 7				
To properly reclass bcbs expense.				
1010475	Employee Group Insurance		3,802.45	
1001091	Due from (to) WSF			1,426.21
1001092	Due from (to) NGF			2,376.24
Total			3,802.45	3,802.45
Adjusting Journal Entries JE # 9				
		6003		
To properly record amount due to debt service fund for current year real, personal, and auto taxes and homestead and penalties				
1001201	(Auto) Personal Property Taxes		1,990.24	
1001202	(Busi) Personal Property Taxes		3,214.07	
1001203	Prior Year Taxes - Real		62.16	
1001207	Penalties & Interest On Taxes		42.23	
1001251	Homestead Exempt. Reimbursemet		1,369.44	
1001095	Due to Debt Service Fund			2,002.09
1001200	(Land) Real Property Taxes			4,676.05
Total			6,678.14	6,678.14
Adjusting Journal Entries JE # 10				
		6004		
To reclassify revenue incorrectly recorded in Auto/MH taxes to proper accounts				
1001201	(Auto) Personal Property Taxes		1,591.15	
1001271	Pro rata County Road Tax			1,376.65
1001300	Police Fines			214.50
Total			1,591.15	1,591.15

Client: **05245 - Town of Liberty, Mississippi**
 Engagement: **FY 2012 - Town of Liberty, Mississippi**
 Period Ending: **9/30/2012**
 Trial Balance: **1400 - General Fund Database**
 Workpaper: **1500 - General Fund - AJE Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 11		C 6103		
To reclassify Police Fines mistakenly recorded in Sanitation Fee				
1001296	Sanitation Fee		2,378.50	
1001300	Police Fines			2,378.50
Total			2,378.50	2,378.50
Adjusting Journal Entries JE # 12		2002		
To correct Payroll transfer check that was voided after recording in GL but not reversed in GL				
1001004	General Revenue - Checking		8,078.60	
1010420	Salary - Town Clerk			1,237.12
1010460	State Retirement			148.45
1010470	FICA Taxes			94.64
1100430	Salaries Full Time			3,408.00
1100440	Salaries - Part Time			1,364.15
1100460	State Retirement			526.93
1100470	FICA Taxes			365.08
1303430	Salary			780.80
1303460	State Retirement			93.70
1303470	FICA taxes			59.73
Total			8,078.60	8,078.60

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Client: **05245 - Town of Liberty, Mississippi**
 Engagement: **FY 2012 - Town of Liberty, Mississippi**
 Period Ending: **9/30/2012**
 Trial Balance: **1400.01 - Debt Service Fund Database**
 Workpaper: **1500.01 - Debt ServiceFund - AJE Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass prior year net income to fund balance.				
2001199	Current Yr Inc (loss)		13,935.05	
2001190	Fund Balance - Debt Service			13,935.05
Total			13,935.05	13,935.05
Adjusting Journal Entries JE # 3				
		5002		
To reclass principal and interest payments.				
2001801	CAP Loan		1,147.14	
2001810	Interest Paid			1,147.14
Total			1,147.14	1,147.14
Adjusting Journal Entries JE # 4				
		6003		
To properly record amount due from general fund for current year real, personal, and auto taxes and homestead and penalties and				
2001095	Due from General Fund		2,002.09	
2001201	Debt Retirement Transfer IN		13,600.00	
2001200	(Land) Real Property Taxes			8,986.11
2001201	Debt Retirement Transfer IN			
2001202	(Bus) Personal Property Taxes			5,204.31
2001207	Penalties and Interest on Taxes			42.23
2001251	Homestead Exempt Reimbursement			1,369.44
Total			15,602.09	15,602.09

Client: 05245 - Town of Liberty, Mississippi
 Engagement: FY 2012 - Town of Liberty, Mississippi
 Period Ending: 9/30/2012
 Trial Balance: 1400.02 - Water and Sewer Fund Database
 Workpaper: 1500.02 - Water and Sewer Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass prior year net income to fund balance.				
4001199	Current Yr Inc (loss)		1,053.92	
4001192	Retained Eam - Unrestricted(W)			1,053.92
Total			<u>1,053.92</u>	<u>1,053.92</u>
Adjusting Journal Entries JE # 2				
To properly reclass bcbs expense.				
4001475	Employee Group Insurance		2,744.50	
4001091	Due from (to) WSF - GF			2,744.50
Total			<u>2,744.50</u>	<u>2,744.50</u>
Adjusting Journal Entries JE # 3				
To adjust account to actual.				
4001703	CAP Loan Interest, Well #5		45.12	
4001172	Water cap loan #2			45.12
Total			<u>45.12</u>	<u>45.12</u>
Adjusting Journal Entries JE # 7				
		5002		
To reclass principal and interest payments.				
4001703	CAP Loan Interest, Well #5		1,065.34	
4001503	Supplies			767.61
4001702	Cap Loan - 2004 Well			297.73
Total			<u>1,065.34</u>	<u>1,065.34</u>

Client: **05245 - Town of Liberty, Mississippi**
 Engagement: **FY 2012 - Town of Liberty, Mississippi**
 Period Ending: **9/30/2012**
 Trial Balance: **1400.03 - Natural Gas Fund Database**
 Workpaper: **1500.03 - Natural Gas Fund - AJE Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass prior year income to fund balance account.				
5001199	Current Yr Inc (loss)		38,293.66	
5001191	Retained Earn - Unrestricted(G)			38,293.66
Total			38,293.66	38,293.66
Adjusting Journal Entries JE # 2				
To properly reclass bcbs expense.				
5001475	Employee Group Insurance		4,925.40	
5001092	Due from (to) NGF - GF			4,925.40
Total			4,925.40	4,925.40
Adjusting Journal Entries JE # 3				
To adjust dfc to actual at 9-30-12.				
5001093	Due to (from) NGF - WSF		502.37	
5001475	Employee Group Insurance			502.37
Total			502.37	502.37
Adjusting Journal Entries JE # 8				
		3201.01		
To reclassify equipment purchase mistakenly recorded in R&M to capital outlay				
5001700	Capitol Outlay		1,648.00	
5001560	Maintenance & Repair Supplies			1,648.00
Total			1,648.00	1,648.00

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Client: 05245 - Town of Liberty, Mississippi
 Engagement: FY 2012 - Town of Liberty, Mississippi
 Period Ending: 9/30/2012
 Trial Balance: 1400.04 - Perpetual Care Fund Database
 Workpaper: 1500.04 - Perpetual Care Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass prior year income to fund balance account.				
6001199	Current Yr Inc (loss)		3,032.77	
6001190	Fund Balance - Perpetual Care			3,032.77
Total			<u><u>3,032.77</u></u>	<u><u>3,032.77</u></u>
Adjusting Journal Entries JE # 2				
		2003		
To record interest earned on Trustmark Perpetual Care CD				
6001003	Perpetual Care CD - 1-Trustmark		128.80	
6001340	Interest			128.80
Total			<u><u>128.80</u></u>	<u><u>128.80</u></u>

Client: 05245 - Town of Liberty, Mississippi
 Engagement: FY 2012 - Town of Liberty, Mississippi
 Period Ending: 9/30/2012
 Trial Balance: 1400.05 - Vance Park Database
 Workpaper: 1500.05 - Vance Park Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass prior year net income to fund balance account.				
8001190	Fund Balance - Vance Park		50,692.06	
8001199	Current Yr Inc (loss)			50,692.06
Total			50,692.06	50,692.06

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Client: **05245 - Town of Liberty, Mississippi**
 Engagement: **FY 2012 - Town of Liberty, Mississippi**
 Period Ending: **9/30/2012**
 Trial Balance: **1400.06 - Payroll Clearing Fund Database**
 Workpaper: **1500.06 - Payroll Clearing Fund - AJE Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To properly record payment of payroll in clearing fund.				
1001155	Payroll Transfers in		458,798.10	
1001340	Interest Earned		167.57	
1010475	Employee Group Insurance		3,309.00	
1001092	Due from (to) GF - NGF			3,455.04
1010400	Salary - Mayor			27,999.96
1010410	Salaries - Alderman			18,000.00
1010420	Salary - Town Clerk			32,165.12
1010440	Salary - Town Attorney			11,097.00
1010450	Salary - Town Judge			7,398.00
1010460	State Retirement			18,021.52
1010490	FICA Expense - All funds			23,689.46
1010492	Medicare Expense - All funds			5,540.19
1010494	State Retirement - All Funds			5,522.84
1010495	System Payroll Expenses			42,520.56
1100430	Salaries Full Time			89,298.00
1100440	Salaries - Part Time			21,627.68
1100460	State Retirement			13,966.24
1160430	Fire Chief			3,699.00
1160440	Volunteers			435.00
1200430	Salary			7,072.77
1301460	State Retirement			2,712.73
1303430	Salary			1,300.00
4001430	Salary			40,458.39
4001460	State Retirement			2,546.00
5001430	Salary			79,016.19
5001460	State Retirement			4,732.98
Total			462,274.67	462,274.67

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TOWN OF LIBERTY, MISSISSIPPI

**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SEPTEMBER 30, 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the accompanying financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi as of and for the year ended September 30, 2012. This financial statement is the responsibility of the Town of Liberty, Mississippi's management. 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 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.

As discussed in Note 1, the Town of Liberty, Mississippi prepares its financial statement on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash balances of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi, as of September 30, 2012, and their respective cash receipts and disbursements for the year then ended in conformity with the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statement of the Town of Liberty, Mississippi. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statement. The supplemental information section 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.

Huddox Reid Burkes & Calhoun PLLC

Jackson, Mississippi
February 11, 2013

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TOWN OF LIBERTY, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	GOVERNMENTAL ACTIVITIES				
	<u>General</u>	<u>Debt</u>	<u>Perpetual</u>	<u>Vance</u>	
	<u>Fund</u>	<u>Service</u>	<u>Care</u>	<u>Park</u>	<u>Total</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
RECEIPTS:					
Taxes - Ad valorem	\$ 109,384	13,600	-	-	122,984
Penalties and interest on delinquent taxes	366	-	-	-	366
Franchise fees	20,350	-	-	-	20,350
Licenses and permits	4,279	-	-	-	4,279
Intergovernmental revenues	289,084	-	-	-	289,084
Charges for services:					
Sanitation	50,943	-	-	-	50,943
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Fines and forfeits	95,238	-	-	-	95,238
Interest	1,045	85	403	10	1,543
Other	<u>34,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,089</u>
Total receipts	<u>604,778</u>	<u>13,685</u>	<u>403</u>	<u>10</u>	<u>618,876</u>
DISBURSEMENTS:					
General government	213,872	-	-	-	213,872
Public safety	218,073	-	-	-	218,073
Court	23,194	-	-	-	23,194
Highways and streets	31,669	-	-	-	31,669
Sanitation	48,619	-	-	-	48,619
Culture and recreation	72,357	-	-	-	72,357
Enterprises:					
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Debt service:					
Principal	-	14,695	-	-	14,695
Interest and other fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>607,784</u>	<u>14,695</u>	<u>-</u>	<u>-</u>	<u>622,479</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,006)</u>	<u>(1,010)</u>	<u>403</u>	<u>10</u>	<u>(3,603)</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
223,173	-	223,173
-	195,013	195,013
-	-	-
1,508	1,764	3,272
-	-	-
<u>224,681</u>	<u>196,777</u>	<u>421,458</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
205,568	-	205,568
-	205,697	205,697
4,335	-	4,335
<u>3,853</u>	-	<u>3,853</u>
<u>213,756</u>	<u>205,697</u>	<u>419,453</u>
-	-	-
<u>10,925</u>	<u>(8,920)</u>	<u>2,005</u>

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TOWN OF LIBERTY, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	GOVERNMENTAL ACTIVITIES				Total
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Perpetual Care Fund</u>	<u>Vance Park Fund</u>	
OTHER CASH SOURCES (USES):					
Utility deposits	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total other cash sources (uses)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
 Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	 (3,006)	 (1,010)	 403	 10	 (3,603)
 CASH BASIS FUND BALANCE -					
Beginning of year	<u>139,196</u>	<u>74,166</u>	<u>73,237</u>	<u>2,480</u>	<u>289,079</u>
 CASH BASIS FUND BALANCE -					
End of year	\$ <u>136,190</u>	<u>73,156</u>	<u>73,640</u>	<u>2,490</u>	<u>285,476</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
<u>2,990</u>	<u>240</u>	<u>3,230</u>
<u>2,990</u>	<u>240</u>	<u>3,230</u>
13,915	(8,680)	5,235
<u>188,016</u>	<u>342,590</u>	<u>530,606</u>
<u>201,931</u>	<u>333,910</u>	<u>535,841</u>

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TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Liberty, Mississippi (the Town) was incorporated in 1809. The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

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

The financial statement is reported using the basis of cash receipts and disbursements as prescribed by the Mississippi Office of the State Auditor, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Governmental Activities

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The **Perpetual Care Fund** is used to account for the proceeds legally restricted to expenditures related to cemetery maintenance.

The **Vance Park Fund** is used to account for the proceeds legally restricted to expenditures related to the maintenance of Vance Park.

Business-Type Activities

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

Business-Type Activities - continued:

The **Natural Gas Fund** accounts for the activities of providing natural gas services to citizens of the Town.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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 Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the Town'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.

Cash is comprised of the following at September 30, 2012:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 89,030	47,160	136,190
Debt Service Fund	-	73,156	73,156
Perpetual Care Fund	-	73,640	73,640
Vance Park Fund	-	<u>2,490</u>	<u>2,490</u>
Total governmental activities	<u>89,030</u>	<u>196,446</u>	<u>285,476</u>
Business-type activities:			
Water and Sewer Fund	178,811	23,120	201,931
Natural Gas Fund	<u>323,495</u>	<u>10,415</u>	<u>333,910</u>
Total business-type activities	<u>502,306</u>	<u>33,535</u>	<u>535,841</u>
Government-wide total	\$ <u>591,336</u>	<u>229,981</u>	<u>821,317</u>

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits at September 30, 2012 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 670,869	696,250
Certificates of deposit	<u>150,448</u>	<u>150,448</u>
Total deposits	<u>\$ 821,317</u>	<u>846,698</u>

The difference of \$25,381 was principally due to outstanding checks. Of the bank balance, \$644,351 was covered by Federal depository insurance.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2012, \$202,347 of the Town's bank balance of \$846,698 was exposed to custodial credit risk as follows:

Collateralized by the state public funds:

Guaranty pool	\$ <u>202,347</u>
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Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had no investments as of September 30, 2012.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2012, the Town had no investments.

Following is a list of the Town's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer, bonds or direct obligations of the following:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

NOTE 3 - DEBT SERVICE

As of September 30, 2012, annual debt service requirements of the governmental and business-type activities to maturity are as follows:

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 3 - DEBT SERVICE - CONTINUED:

Fiscal Year Ended <u>September 30</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 9,599	2,615
2014	9,891	2,323
2015	10,192	2,022
2016	10,502	1,712
2017	10,821	1,393
2018-2021	<u>40,537</u>	<u>2,216</u>
	<u>\$ 91,542</u>	<u>12,281</u>

NOTE 4 - PROPERTY TAX

The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Amite County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2012 were approximately 97% of the total tax levy.

The tax rate levied by the Town for fiscal year 2012 was set at 26 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 2.30
Debt Service Fund	<u>.30</u>
	\$ <u>2.60</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Public Employees' Retirement System

Plan Description and Provisions

The Town of Liberty, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law

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TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Public Employees' Retirement System - continued:

Plan Description and Provisions - continued:

and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Plan Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary. The Town of Liberty, Mississippi is required to contribute at an actuarially determined rate. The rate for the period October 1, 2011 - June 30, 2012 was 12.93% and for the period of July 1, 2012 - September 30, 2012 was 14.26%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Liberty, Mississippi's contribution to PERS for the years ended September 30, 2012, 2011, and 2010 were \$45,607, \$43,561 and \$42,931, respectively, equal to the required contributions for each year.

NOTE 6 - CONTINGENCIES

Federal Grants

In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 7 - RISK MANAGEMENT

The Town 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 Town carries commercial insurance for risks of loss including workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2012

NOTE 7 - RISK MANAGEMENT - CONTINUED:

The Town is a member of the Mississippi Municipal Liability Plan, a public entity risk pool. The Mississippi Municipal Liability Plan covers liability claims against its members and is funded through member contributions. The Town has not had an additional assessment for excess losses.

NOTE 8 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring disclosure in the financial statement through February 11, 2013, the date the financial statement was approved by the Town's management and thereby available to be released.

SUPPLEMENTAL INFORMATION

TOWN OF LIBERTY, MISSISSIPPI

Schedule I

SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2012

	<u>Deposit Amount</u>
Certificate of Deposit with Trustmark National Bank Maturing December 20, 2012, Rate .15%	\$ 33,899
Certificate of Deposit with First Bank Maturing May 1, 2013, Rate .50%	31,935
Certificate of Deposit with First Bank Maturing August 9, 2013, Rate .25%	39,196
Certificate of Deposit with First Bank Maturing May 1, 2013, Rate .50%	<u>45,418</u>
	\$ <u>150,448</u>
Fund Recap:	
Perpetual Care Fund	\$ 73,095
Water and Sewer Fund	45,418
Natural Gas Fund	<u>31,935</u>
	\$ <u>150,448</u>

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TOWN OF LIBERTY, MISSISSIPPI

Schedule II

SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance Outstanding October 1, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding September 30, 2012</u>
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NOTES:

Capital Improvement Loan through Mississippi Department of Economic Development dated May 31, 1996, due in monthly installments of \$1,096 for a period of 15 years at 3.70% interest, maturing September 1, 2012.

\$ 9,715	-	(9,715)	-
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Capital Improvement Loan through Mississippi Department of Economic Development due in monthly installments of \$1,018 for a period of 15 years at 3.00% interest, maturing March 1, 2021.

<u>100,857</u>	<u>-</u>	<u>(9,315)</u>	<u>91,542</u>
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Total

\$ <u>110,572</u>	<u>-</u>	<u>(19,030)</u>	<u>91,542</u>
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TOWN OF LIBERTY, MISSISSIPPI**Schedule III****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2012**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Aubrey Blalock	Aldersperson	Scott Insurance	\$ 10,000
Charlie Brister	Aldersperson	Scott Insurance	10,000
Elizabeth Doucet	Aldersperson	Scott Insurance	10,000
John Morgan III	Aldersperson	Scott Insurance	10,000
Lenora Morgan	Aldersperson	Scott Insurance	10,000
Richard Stratton	Mayor	Brierfield	50,000
Nathan Toney	Chief of Police	Brierfield	50,000
Shawn Felder	Town Clerk	Western Surety	50,000
Shawn Felder	Tax Collector	Western Surety	10,000
Sandra Wall	Deputy Clerk	Old Republic	50,000
Kathryn Cassels	Part-time Clerk	Brierfield	50,000
Joseph Cothren	Police Officer	Brierfield	25,000
Travis Fite	Police Officer	Brierfield	25,000
Shawn Umbrello	Police Officer	Brierfield	25,000
Robert Dillon	Police Officer	Brierfield	25,000
Grant McCurley	Police Officer	Brierfield	25,000

TOWN OF LIBERTY, MISSISSIPPI

Schedule IV

SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets:				
Land	\$ 364,925	-	-	364,925
Building and improvements	535,890	-	-	535,890
Vehicles and machinery	706,385	13,919	-	720,304
Infrastructure	<u>288,028</u>	<u>-</u>	<u>-</u>	<u>288,028</u>
 Total governmental activities capital assets	 \$ <u>1,895,228</u>	 <u>13,919</u>	 <u>-</u>	 <u>1,909,147</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets:				
Vehicles and machinery	\$ 311,517	7,392	-	318,909
Water distribution system	1,141,414	-	-	1,141,414
Gas distribution system	<u>185,450</u>	<u>-</u>	<u>-</u>	<u>185,450</u>
 Total business-type activities capital assets	 \$ <u>1,638,381</u>	 <u>7,392</u>	 <u>-</u>	 <u>1,645,773</u>

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STATE COMPLIANCE SECTION



CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi as of and for the year ended September 30, 2012, and have issued our report thereon dated February 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Mississippi 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 financial statement of the governmental activities, the business-type activities, and each major fund disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of Liberty, Mississippi's management, Honorable Mayor and Board of Alderpersons, and the Mississippi 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.

Haddox Reid Baker & Colborn PLLC

Jackson, Mississippi
February 11, 2013

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