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# TOWN OF LIBERTY

*County Seat of Amite County, MS*



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March 10, 2014

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, 2013. 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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**TOWN OF LIBERTY, MISSISSIPPI**

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

**SEPTEMBER 30, 2013**

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CPAs & Advisors

## **INDEPENDENT AUDITOR'S REPORT**

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, 2013, and the related notes to the financial statement, which collectively comprise the Town's basic financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1, 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 financial statements that are free from material misstatement, whether due to error or fraud.

### **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 statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.



## **Auditor's Responsibility**

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

## **Opinions**

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, 2013, and their respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. Our opinions on the basic financial statement are not affected by this missing information.

### *Other Information*

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

The supplementary 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.

*Haddox Reid Eubank Betts PLLC*

Jackson, Mississippi  
February 18, 2014

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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, 2013**

	<b>GOVERNMENTAL ACTIVITIES</b>				
	<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>	
<b>RECEIPTS:</b>					
Taxes - Ad valorem	\$ 110,081	14,358	-	-	124,439
Penalties and interest on delinquent taxes	1,309	171	-	-	1,480
Franchise fees	21,821	-	-	-	21,821
Licenses and permits	3,421	-	-	-	3,421
Intergovernmental revenues	273,241	1,393	-	-	274,634
Charges for services:					
Sanitation	52,137	-	-	-	52,137
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Fines and forfeits	68,045	-	-	-	68,045
Interest	371	60	98	4	533
Other	<u>81,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,741</u>
Total receipts	<u>612,167</u>	<u>15,982</u>	<u>98</u>	<u>4</u>	<u>628,251</u>
<b>DISBURSEMENTS:</b>					
General government	204,978	-	-	-	204,978
Public safety	249,535	-	-	-	249,535
Court	22,713	-	-	-	22,713
Highways and streets	33,355	-	-	-	33,355
Sanitation	41,489	-	-	-	41,489
Culture and recreation	58,259	-	-	-	58,259
Enterprises:					
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Debt service:					
Principal	-	10,343	-	-	10,343
Interest and other fiscal charges	<u>-</u>	<u>1,871</u>	<u>-</u>	<u>-</u>	<u>1,871</u>
Total disbursements	<u>610,329</u>	<u>12,214</u>	<u>-</u>	<u>-</u>	<u>622,543</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,838</u>	<u>3,768</u>	<u>98</u>	<u>4</u>	<u>5,708</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>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
211,119	-	211,119
-	216,542	216,542
-	-	-
636	698	1,334
<u>-</u>	<u>-</u>	<u>-</u>
<u>211,755</u>	<u>217,240</u>	<u>428,995</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
171,837	-	171,837
-	230,951	230,951
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>171,837</u>	<u>230,951</u>	<u>402,788</u>
<u>39,918</u>	<u>(13,711)</u>	<u>26,207</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, 2013**

	<b>GOVERNMENTAL ACTIVITIES</b>				
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Perpetual Care Fund</u>	<u>Vance Park Fund</u>	<u>Total</u>
<b>OTHER CASH SOURCES (USES):</b>					
Interfund loans and transfers	\$ 3,675	(2,407)	-	-	1,268
Utility deposits - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other cash sources (uses)	<u>3,675</u>	<u>(2,407)</u>	<u>-</u>	<u>-</u>	<u>1,268</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	5,513	1,361	98	4	6,976
<b>CASH BASIS FUND BALANCE - Beginning of year</b>	<u>136,190</u>	<u>73,156</u>	<u>73,640</u>	<u>2,490</u>	<u>285,476</u>
<b>CASH BASIS FUND BALANCE - End of year</b>	<u>\$ 141,703</u>	<u>74,517</u>	<u>73,738</u>	<u>2,494</u>	<u>292,452</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>
(3,038)	1,770	(1,268)
<u>960</u>	<u>(140)</u>	<u>820</u>
<u>(2,078)</u>	<u>1,630</u>	<u>(448)</u>
37,840	(12,081)	25,759
<u>201,931</u>	<u>333,910</u>	<u>535,841</u>
<u>239,771</u>	<u>321,829</u>	<u>561,600</u>

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**TOWN OF LIBERTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2013**

**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 permitted 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, 2013

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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 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. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Cash is comprised of the following at September 30, 2013:

	<b>Cash and Cash Equivalents</b>	<b>Restricted Cash</b>	<b>Total</b>
<b>Governmental activities:</b>			
General Fund	\$ 123,726	17,977	141,703
Debt Service Fund	-	74,517	74,517
Perpetual Care Fund	-	73,738	73,738
Vance Park Fund	-	2,494	2,494
Total governmental activities	<u>123,726</u>	<u>168,726</u>	<u>292,452</u>
<b>Business-type activities:</b>			
Water and Sewer Fund	206,303	33,468	239,771
Natural Gas Fund	<u>309,349</u>	<u>12,480</u>	<u>321,829</u>
Total business-type activities	<u>515,652</u>	<u>45,948</u>	<u>561,600</u>
<b>Government-wide total</b>	<b><u>\$ 639,378</u></b>	<b><u>214,674</u></b>	<b><u>854,052</u></b>



**TOWN OF LIBERTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:**

Deposits at September 30, 2013 are summarized as follows:

	<b><u>Reported Amount</u></b>	<b><u>Bank Balance</u></b>
Cash	\$ 703,112	713,016
Certificates of deposit	<u>150,940</u>	<u>150,940</u>
Total deposits	<u>\$ 854,052</u>	<u>863,956</u>

The difference of \$9,904 was principally due to outstanding checks. Of the bank balance, \$616,904 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. As of September 30, 2013, \$247,052 of the Town's bank balance of \$863,956 was exposed to custodial credit risk as follows:

Collateralized by the state public funds:

Guaranty pool	\$ <u>247,052</u>
---------------	-------------------

*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, 2013**

**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, 2013.

*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, 2013, 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

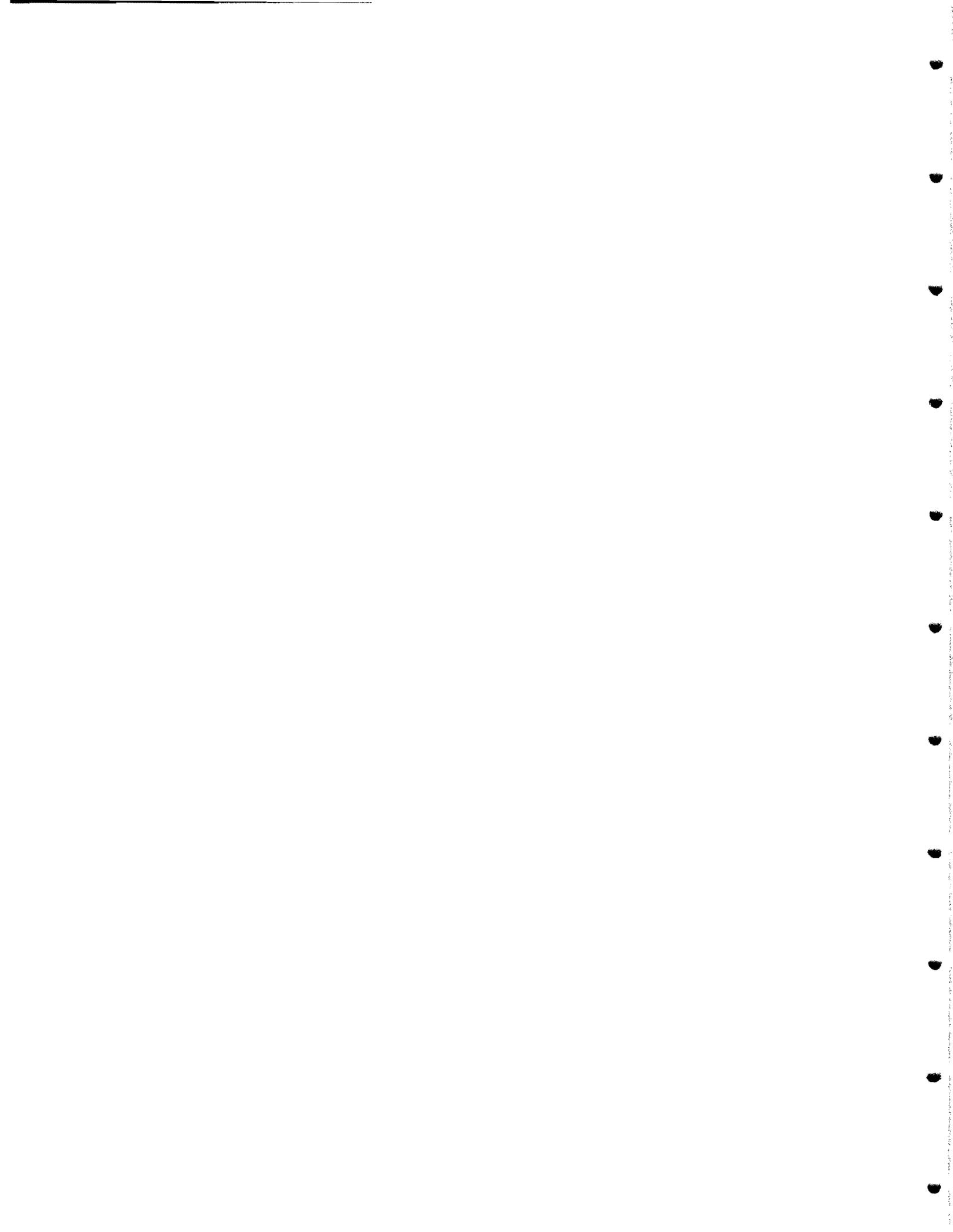
State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of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

**NOTE 3 - DEBT SERVICE**

As of September 30, 2013, annual debt service requirements of the governmental and business-type activities to maturity are as follows:

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**TOWN OF LIBERTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2013**

**NOTE 3 - DEBT SERVICE - CONTINUED:**

Fiscal Year Ended <u>September 30</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 9,891	2,323
2015	10,192	2,022
2016	10,502	1,712
2017	10,821	1,393
2018	11,151	1,064
2019-2021	<u>28,641</u>	<u>1,152</u>
	<u>\$ 81,198</u>	<u>9,666</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, 2013 were approximately 97% of the total tax levy.

The tax rate levied by the Town for fiscal year 2013 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



**TOWN OF LIBERTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2013**

**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

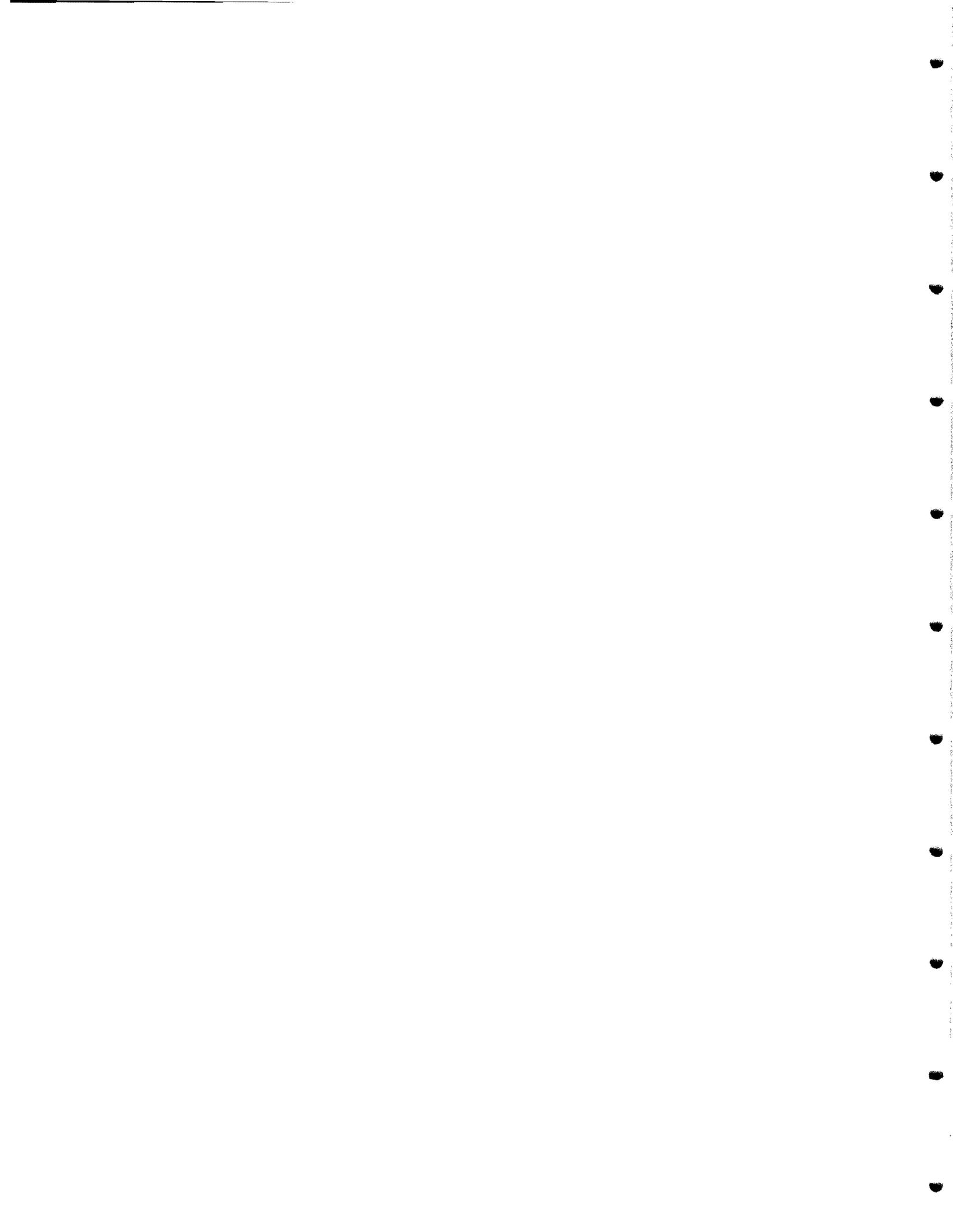
PERS members are required to contribute 9.00% of their annual covered salary. The Town of Liberty, Mississippi is required to contribute at an actuarially determined rate. The rate for the period October 1, 2012 - June 30, 2013 was 14.26% and for the period of July 1, 2013 - September 30, 2013 was 15.75%. 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, 2013, 2012, and 2011 were \$50,424, \$45,607 and \$43,561, respectively, equal to the required contributions for each year.

**NOTE 6 - INTERFUND LOANS AND TRANSFERS**

Interfund loans and transfers during the year were as follows:

<u>Type</u>	<u>To</u>	<u>From</u>	<u>Amount</u>
Loan	General Fund	Debt Service Fund	\$ 2,407
Loan	General Fund	Water & Sewer Fund	3,038
Loan	Natural Gas Fund	General Fund	1,770

The above interfund loans and transfers are necessary to move funds collected in one fund to another fund in accordance with the Town's annual budget.



**TOWN OF LIBERTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2013**

**NOTE 7 - 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 8 - 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.

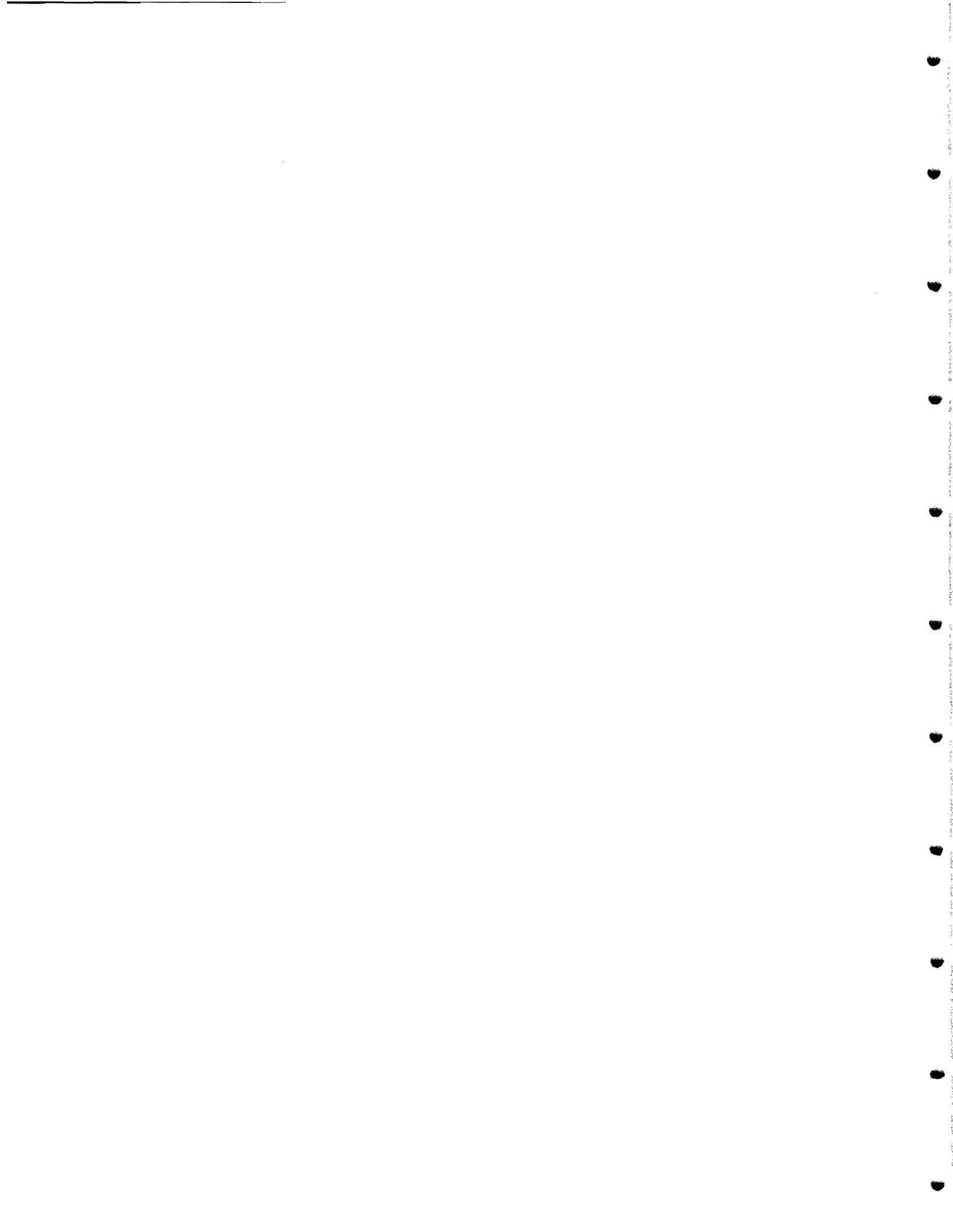
The Town is a member of the Mississippi Municipal Liability Plan, a public entity risk pool. The Mississippi Municipal Liability Plan covers liability claims against its members and is funded through member contributions. The Town has not had an additional assessment for excess losses.

**NOTE 9 - SUBSEQUENT EVENTS**

The Town had no subsequent events of a material nature requiring disclosure in the financial statement through February 18, 2014, the date the financial statement was approved by the Town's management and thereby available to be released.

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**SUPPLEMENTAL INFORMATION**

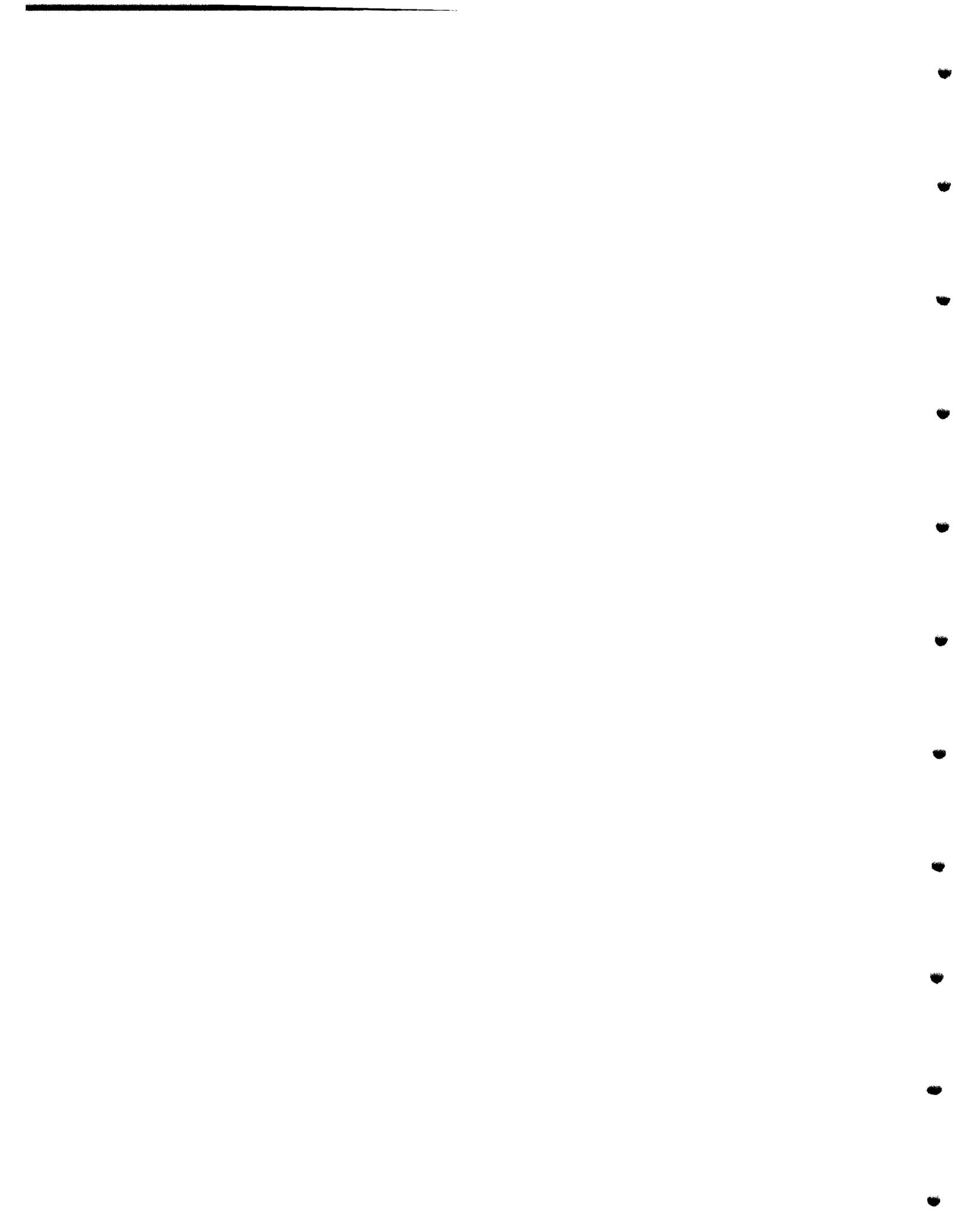


TOWN OF LIBERTY, MISSISSIPPI

Schedule I

SCHEDULE OF INVESTMENTS - ALL FUNDS  
SEPTEMBER 30, 2013

	<u>Deposit Amount</u>
Certificate of Deposit with Trustmark National Bank Maturing January 22, 2015, Rate .45%	\$ 33,974
Certificate of Deposit with First Bank Maturing May 1, 2014, Rate .15%	32,067
Certificate of Deposit with First Bank Maturing August 9, 2014, Rate .15%	39,294
Certificate of Deposit with First Bank Maturing May 1, 2014, Rate .15%	<u>45,605</u>
	<u>\$ 150,940</u>
Fund Recap:	
Perpetual Care Fund	\$ 73,268
Water and Sewer Fund	45,605
Natural Gas Fund	<u>32,067</u>
	<u>\$ 150,940</u>



TOWN OF LIBERTY, MISSISSIPPI

Schedule II

SCHEDULE OF LONG-TERM DEBT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Balance Outstanding October 1, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding September 30, 2013</u>
<b><u>NOTES:</u></b>				
Capital Improvement Loan through Mississippi Department of Economic Development due in monthly install- ments of \$1,018 for a period of 15 years at 3.00% interest, maturing March 1, 2021.	\$ <u>91,541</u>	-	(10,343)	<u>81,198</u>
<b>Total</b>	\$ <u>91,541</u>	-	(10,343)	<u>81,198</u>



TOWN OF LIBERTY, MISSISSIPPI

Schedule III

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2013

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Charlie Brister	Aldersperson	Scott Insurance	\$ 10,000
J. Walt Gaston	Aldersperson	Scott Insurance	10,000
John Morgan III	Aldersperson	Scott Insurance	10,000
Lenora Morgan	Aldersperson	Scott Insurance	10,000
Pat Talbert	Aldersperson	Scott Insurance	50,000
Richard Stratton	Mayor	Brierfield	50,000
Nathan Toney	Chief of Police	Brierfield	25,000
Nathan Toney	Police Officer	Brierfield	50,000
Shawn Felder	Town Clerk	Western Surety	10,000
Shawn Felder	Tax Collector	Western Surety	50,000
Sandra Wall	Deputy Clerk	Old Republic	50,000
Kathryn Cassels	Part-time Clerk	Brierfield	25,000
Robert Dillon	Police Officer	Brierfield	25,000
Travis Fite	Police Officer	Brierfield	25,000
Joseph Graves	Police Officer	Brierfield	25,000
Darrell Green	Police Officer	Brierfield	25,000
Shawn Umbrello	Police Officer	Brierfield	25,000
Gary D. Whetstone, Jr.	Police Officer	Brierfield	25,000

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TOWN OF LIBERTY, MISSISSIPPI

Schedule IV

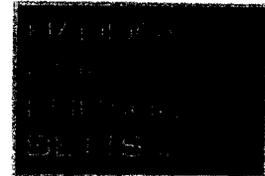
SCHEDULE OF CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets:				
Land	\$ 364,925	-	(7,398)	357,527
Building and improvements	535,890	-	-	535,890
Vehicles and machinery	720,304	33,297	-	753,601
Infrastructure	<u>288,028</u>	<u>-</u>	<u>-</u>	<u>288,028</u>
Total governmental activities capital assets	\$ <u>1,909,147</u>	<u>33,297</u>	<u>(7,398)</u>	<u>1,935,046</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets:				
Vehicles and machinery	\$ 318,909	-	-	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>1,645,773</u>	<u>-</u>	<u>-</u>	<u>1,645,773</u>



**STATE COMPLIANCE SECTION**





CPAs & Advisors

**INDEPENDENT AUDITOR'S 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, 2013, and have issued our report thereon dated February 18, 2014. 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.

*Haddock Reid Eubank Betts PLLC*

Jackson, Mississippi  
February 18, 2014

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MAR 14 2014





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MAR 14 2014

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

In planning and performing our audit of 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, 2013, 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 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 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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 did not identify any deficiencies in the Town of Liberty's internal control that we considered 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 deficiency in the Town of Liberty, Mississippi's internal control to be a significant deficiency:

Due to the limited number of people working in the office, many critical duties are combined and given to available employees. Presently, a single individual



prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. To the extent possible, duties should be 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 Eubank Betts PLLC*

Jackson, Mississippi  
February 18, 2014

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MAR 14 2014