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**TOWN OF WALNUT GROVE  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**

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TOWN OF WALNUT GROVE

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**TOWN OF WALNUT GROVE**

**FINANCIAL SECTION**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Walnut Grove, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and the major fund of the Town of Walnut Grove, as of and for the year ended September 30, 2013, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Town of Walnut Grove as of September 30, 2013, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## Emphasis of Matter

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

## Other Matters

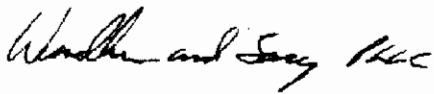
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Walnut Grove, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Walnut Grove, Mississippi's basic financial statements. The other required supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other required supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Town of Walnut Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Windham and Lacey, PLLC  
December 6, 2013

**TOWN OF WALNUT GROVE**

**FINANCIAL STATEMENTS**

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**Town of Walnut Grove**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and For the Year Ended September 30, 2013**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Governmental Activities:							
General government	\$ 109,678	25,151	6,179		(78,348)		(78,348)
Public safety	264,089	46,391	20,211	33,300	(164,187)		(164,187)
Public works	110,870	26,005	323	1,000	(83,542)		(83,542)
Culture and recreation	73,044				(73,044)		(73,044)
Economic development	14,063				(14,063)		(14,063)
Principal and interest on long-term debt	41,030				(41,030)		(41,030)
Total Governmental Activities	612,774	97,547	26,713	34,300	(454,214)	0	(454,214)
Business-type Activities:							
Water/Sewer Utility	323,504	398,013		2,500		77,009	77,009
Gas Utility	1,035,368	931,216		273,640		169,488	169,488
Total Business-type Activities	1,358,872	1,329,229	0	276,140	0	246,497	246,497
<b>Total Government</b>	<b>\$ 1,971,646</b>	<b>1,426,776</b>	<b>26,713</b>	<b>310,440</b>	<b>(454,214)</b>	<b>246,497</b>	<b>(207,717)</b>
<b>General Receipts</b>							
<b>Taxes:</b>							
Property taxes					\$ 69,137		69,137
In lieu of taxes					197,741		197,741
Sales tax					79,555		79,555
Franchise taxes					18,058		18,058
Grants and contributions not restricted to specific programs					2,526		2,526
Unrestricted investment income					501	623	1,124
Miscellaneous					4,438	9,218	13,656
Proceeds from sales of fixed assets					38,841		38,841
Transfers					60,000	(60,000)	0
<b>Total General Receipts</b>					<b>470,797</b>	<b>(50,159)</b>	<b>420,638</b>
Change in net assets					16,583	196,338	212,921
Net Assets - Beginning					319,910	423,423	743,333
Net Assets - Ending					\$ 336,493	619,761	956,254



**Town of Walnut Grove  
Statement of Activities and Net Assets - Cash Basis  
As of and For the Year Ended September 30, 2013**

**(Continued)**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 737,495
Restricted cash	<u>218,759</u>
Total Assets	<u>\$ 956,254</u>
<b>NET ASSETS</b>	
Restricted:	
Restricted for fire protection	\$ 120,280
Restricted for meter deposits	73,351
Restricted for contingency and depreciation	25,128
Unrestricted	<u>737,495</u>
Total Net Assets	<u>\$ 956,254</u>

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

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**Town of Walnut Grove  
Statement of Cash Basis Assets and Fund Balances and  
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental and Business-type Funds  
As of and For the Year Ended September 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Water/Sewer and Gas Funds</u>
<b>RECEIPTS</b>		
Ad valorem taxes	\$ 69,137	
In lieu of taxes	197,741	
License and permits	1,188	
Franchise taxes on utilities	18,058	
Intergovernmental revenues:		
Federal revenues:		
Grants	33,300	276,140
State shared revenues:		
Sales taxes	79,555	
Grants	1,323	
Homestead exemption reimbursement	2,526	
Fire insurance premium tax distribution	9,862	
General municipal aid	6,179	
Local shared revenues:		
Fire protection	10,349	
Charges for services:		
Garbage	26,005	
Water and sewer utility		398,013
Gas utility		891,302
Fines and forfeits	46,391	
Rental income	23,963	
Interest income	501	623
Proceeds from sales of fixed assets	38,841	
Miscellaneous revenue	4,438	9,218
Total Receipts	<u>569,357</u>	<u>1,575,296</u>

**Town of Walnut Grove**  
**Statement of Cash Basis Assets and Fund Balances and**  
**Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**Governmental and Business-type Funds**  
**For the Year Ended September 30, 2013**

**(Continued)**

	<u>Governmental Activities Major Fund</u>	<u>Business-type Activities Water/Sewer Fund</u>
<b>DISBURSEMENTS</b>		
General government	\$ 109,678	
Public safety	184,551	
Public works	104,254	
Culture and recreation	67,666	
Economic development	14,063	
Water and sewer utility:		
Personal services		324,086
Supplies		284,564
Utilities		60,674
Other services and charges		230,144
Gas purchases		265,820
Total Disbursements	<u>480,212</u>	<u>1,165,288</u>
 Excess of Receipts over (under) Disbursements	 <u>89,145</u>	 <u>410,008</u>
<b>OTHER CASH SOURCES (USES)</b>		
Capital outlay	(91,532)	(20,298)
Principal and interest paid on long-term debt	(41,030)	(133,372)
Transfers in (out) to other funds	60,000	(60,000)
 Total Other Cash Sources and (Uses)	 <u>(72,562)</u>	 <u>(213,670)</u>
 Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	 <u>16,583</u>	 <u>196,338</u>
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	<u>319,910</u>	<u>423,423</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u>\$ 336,493</u>	<u>619,761</u>
<b>CASH BASIS ASSETS - End of Year</b>		
Cash and cash equivalents	\$ 216,213	521,282
Restricted cash	120,280	98,479
Total Cash Basis Assets	<u>\$ 336,493</u>	<u>619,761</u>
<b>CASH BASIS FUND BALANCES - End of Year</b>		
Restricted:		
Restricted for fire protection	\$ 120,280	
Restricted for meter deposits		73,351
Restricted for contingency and depreciation		25,128
Unassigned	216,213	521,282
Total Cash Basis Fund Balances	<u>\$ 336,493</u>	<u>619,761</u>

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

TOWN OF WALNUT GROVE

Notes to Financial Statements  
For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town of Walnut Grove, Mississippi. (Town) situated in Leake County, operates under a Mayor-Board form of government. The following services are provided by the town: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

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

B. Government-wide and Fund Financial Statements.

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

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

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

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

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

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

The government reports the following major Governmental Funds:

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

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**TOWN OF WALNUT GROVE**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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

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

D. Assets and Net Assets or Equity.

1. *Cash and Investments.*

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

2. *Net Assets.*

Restricted net assets - Consists of cash with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted".

3. *Fund Balances.*

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

**Non-spendable** - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The Town has no fund balance reported in this category.

**Restricted** - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The Town has \$120,280 reported as restricted fund balances.

**Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The Town has no fund balance reported in this category.

**Assigned** - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the Town. The Town has no fund balance reported in this category.

**Unassigned** - Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

## TOWN OF WALNUT GROVE

### Notes to Financial Statements For the Year Ended September 30, 2013

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$956,254 and the bank balance was \$937,198. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Custodial Credit Risk - Deposits and Investments:** Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on the behalf of the Town. As of September 30, 2013, none of the Town's bank balance of \$937,198 was exposed to custodial risk.

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

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

(3) Defined Benefit Pension Plan.

**Plan Description:** The Town of Walnut Grove contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, at 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy:** PERS members are required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the years ended September 30, 2013, 2012 and 2011 were \$63,610, \$43,787, and \$45,567, respectively, which is equal to the required contributions for each year.

TOWN OF WALNUT GROVE

REQUIRED SUPPLEMENTARY INFORMATION

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**Town of Walnut Grove  
 Budgetary Comparison Schedule -  
 Budget and Actual  
 General Fund  
 For the Year Ended September 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>RECEIPTS</b>				
Ad valorem taxes	\$ 48,800	68,715	69,137	
In lieu of taxes	177,400	193,840	197,741	
License and permits	1,000	1,177	1,188	
Franchise tax	18,000	18,058	18,058	
Intergovernmental revenues	261,825	142,092	143,094	
Charges for services	25,150	26,218	26,005	
Fines and forfeits	25,000	46,391	46,391	
Interest income	600		501	
Miscellaneous	23,400	79,860	67,242	
Total Receipts	<u>581,175</u>	<u>576,351</u>	<u>569,357</u>	<u>(6,994)</u>
<b>EXPENDITURES</b>				
General government	130,725	150,935	109,678	
Public safety	398,300	353,383	264,089	
Public works	58,950	86,700	110,870	
Culture and recreation	207,727	65,127	73,044	
Economic development	4,250	13,500	14,063	
Debt service:				
Principal and interest	31,200	33,449	41,030	
Total Expenditures	<u>831,152</u>	<u>703,094</u>	<u>612,774</u>	<u>90,320</u>
Excess of Receipts over (under) Expenditures	<u>(249,977)</u>	<u>(126,743)</u>	<u>(43,417)</u>	<u>83,326</u>
<b>OTHER CASH SOURCES (USES)</b>				
Transfers in	252,500	85,010	60,000	
Total Other Cash Sources and Uses	<u>252,500</u>	<u>85,010</u>	<u>60,000</u>	<u>(25,010)</u>
Net Change in Cash Basis Fund Balance	2,523	(41,733)	16,583	58,316
Cash Basis Fund Balances - Beginning	<u>319,910</u>	<u>319,910</u>	<u>319,910</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 322,433</u>	<u>278,177</u>	<u>336,493</u>	<u>58,316</u>

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

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## TOWN OF WALNUT GROVE

### Notes to the Required Supplementary Information For the Year Ended September 30, 2013

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget Reconciliation.

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

**TOWN OF WALNUT GROVE**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

Town of Walnut Grove  
 Schedule of Changes in Long-term Debt  
 For the Year Ended September 30, 2013

Description	Outstanding Balance Sept. 30, 2012	Issued	Redeemed	Outstanding Balance Sept. 30, 2013
<u>Other long-term debt:</u>				
Governmental Activities:				
CAP Loan	\$ 437,540		19,957	417,583
Capital Leases Payable:				
Bank of Walnut Grove	16,943		8,345	8,598
Total Governmental Activities	454,483	0	28,302	426,181
Business-type Activities:				
Water and Sewer				
Note payable - Mississippi Development Authority	135,358		48,026	87,332
Gas				
Note payable - Bank of Walnut Grove	9,039		5,981	3,058
Note payable - Bank of Walnut Grove	75,000		75,000	0
Total Business-type Activities	219,397	0	129,007	90,390
Total Long-term Debt	\$ 673,880	0	157,309	516,571

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**Town of Walnut Grove  
 Schedule of Investments - All Funds  
 September 30, 2013**

	<u>Deposit Amount</u>
Certificate of Deposit with Bank of Walnut Grove maturing September 10, 2014; interest rate at 0.65%.	\$ 3,000
Certificate of Deposit with Bank of Walnut Grove maturing August 29, 2014; interest rate at .65%.	20,000
Certificate of Deposit with Bank of Walnut Grove maturing September 12, 2014; interest rate at 0.65%.	<u>25,557</u>
	<u>\$ 48,557</u>
 Fund Recap:	
Water and Sewer Fund	\$ 3,000
Gas Fund	<u>45,557</u>
 Total	 <u>\$ 48,557</u>

**Town of Walnut Grove  
 Schedule of Surety Bonds for Municipal Officials and Employees  
 September 30, 2013**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Marvin Daniel Jones, III	Alderman	MS Municipal Bond Program	\$ 25,000
Michael P. Johnson	Alderman	MS Municipal Bond Program	25,000
Cindy Lois Jones	Alderman	MS Municipal Bond Program	25,000
Teresa Darby	Alderman	MS Municipal Bond Program	25,000
Jerry Darby	Alderman	MS Municipal Bond Program	25,000
James Brian Gomillion	Mayor	FCCI Insurance Company	50,000
Paula Dennise Jones-Putnam	City clerk	Brierfield Insurance	50,000
Michelle Anderson	Court clerk	Brierfield Insurance	50,000
Gloria Overstreet	Clerk assistant	Brierfield Insurance	50,000
Kevin Polk	Police chief	FCCI Insurance Company	50,000
Jason Gilbert	Maintenance supervisor	FCCI Insurance Company	50,000

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**Town of Walnut Grove  
Schedule of Capital Assets  
For the Fiscal Year Ended September 30, 2013**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital Assets:					
Land	\$ 92,329	10,000			102,329
Buildings	1,096,988	6,491			1,103,479
Improvements other than buildings	863,062				863,062
Machinery and equipment	554,448	75,041	(21,034)		608,455
<b>Total Governmental Activities Capital Assets</b>	<b>\$ 2,606,827</b>	<b>91,532</b>	<b>(21,034)</b>	<b>0</b>	<b>2,677,325</b>
<b>Business-type Activities</b>					
Capital Assets:					
Land	\$ 237,071				237,071
Construction in progress CDBG	409,494	2,500		(411,994)	0
Buildings	80,545				80,545
Machinery and equipment	341,516	17,798			359,314
Water and sewer system	3,789,900			411,994	4,201,894
Gas system	660,309				660,309
<b>Total Business-type Activities Capital Assets</b>	<b>\$ 5,518,835</b>	<b>20,298</b>	<b>0</b>	<b>0</b>	<b>5,539,133</b>

**TOWN OF WALNUT GROVE**

**SPECIAL REPORTS**

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*Certified Public Accountants*

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Pearl, MS 39208  
(601)939-8676

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Mississippi Society of CPAs

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

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Walnut Grove, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and the major fund of Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2013, which collectively comprise Town of Walnut Grove, Mississippi's basic financial statements and have issued our report thereon dated December 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Walnut Grove, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

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

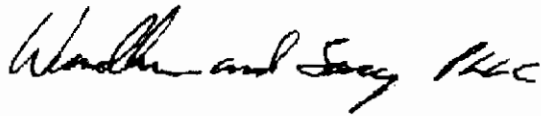


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Walnut Grove, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Windham and Lacey, PLLC  
December 6, 2013

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

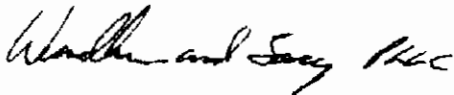
Honorable Mayor and  
Members of the Board of Aldermen  
Town of Walnut Grove, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2013, and have issued our report thereon dated December 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the town's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

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



Windham and Lacey, PLLC  
December 6, 2013

**TOWN OF WALNUT GROVE**

**SCHEDULE OF FINDINGS AND RESPONSES**

**TOWN OF WALNUT GROVE**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2013**

Section 1: Summary of Auditor's Results

*Financial Statements:*

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements:        | Unqualified   |
| 2. | Internal control over financial reporting:   |               |
| a. | Material weaknesses identified?  | No            |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements?                                    | No            |

Section 2: Financial Statement Findings

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

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December 6, 2013

To the Board of Aldermen  
Town of Walnut Grove  
Walnut Grove MS

This letter is intended to inform the Board of Aldermen of Town of Walnut Grove about significant matters related to the conduct of the annual audit of Town of Walnut Grove so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Aldermen.

In addition to our report on your financial statements, we have provided a report on internal control over financial reporting. The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

## **The Auditor's Responsibility Under Generally Accepted Auditing Standards**

Our audit of the financial statements of Town of Walnut Grove for the year ended September 30, 2013, was conducted 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 statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute assurance about the financial statements. We believe that our audit accomplished that objective.

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### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed me that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the ability to collect receivable accounts and the useful lives of depreciable assets. The Board of Aldermen may wish to monitor throughout the year the process used to compute and record these accounting estimates.

### **Audit Adjustments**

The attachment to this letter represents a summary of adjustments that were identified as a result of our audit procedures and recorded by the municipal clerk for Town of Walnut Grove.

### **Uncorrected Misstatements**

We also accumulated uncorrected misstatements, which were discussed with management and were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management has adjusted these differences and they are included in the above listing where applicable.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by Town of Walnut Grove. Town of Walnut Grove did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period that should be brought to your attention for approval.

### **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of Town of Walnut Grove

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing in regard to matters related to audit adjustments, accounting principles, accounting policies and procedures, financial statement disclosures, and financial statement presentation.

**Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

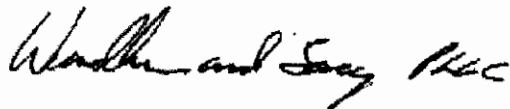
**Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

**Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Town of Walnut Grove

This report is intended solely for the information and use of the Board of Aldermen, and management and is not intended to be and should not be used by anyone other than the specified parties.



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