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Tom Chain

From: Tom Windham <tom@windhamandlacey.com>
Sent: Wednesday, May 22, 2013 5:10 PM
To: Tom Chain
Subject: Walnut Grove
Attachments: Walnut Grove-Report-2012.pdf

Tom
I was asked to send this to you.
Tom

Windham and Lacey PLLC
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**TOWN OF WALNUT GROVE
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2012

TOWN OF WALNUT GROVE

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TOWN OF WALNUT GROVE

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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

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, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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.

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, 2012, 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.

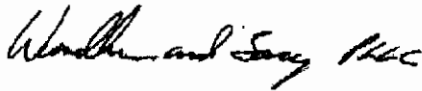
In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, on our consideration of the Town of Walnut Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

The Budgetary Comparison Schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Walnut Grove has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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. 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.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Windham and Lacey, PLLC
May 3, 2013

TOWN OF WALNUT GROVE

FINANCIAL STATEMENTS

**Town of Walnut Grove
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2012**

	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
Functions/Programs							
Governmental Activities:							
General government	\$ 93,871	24,482	7,139		(62,250)		(62,250)
Public safety	237,055	52,160	19,694		(165,201)		(165,201)
Public works	130,174	25,171	322		(104,681)		(104,681)
Culture and recreation	803,843		9,000	125,531	(669,312)		(669,312)
Economic development	7,230				(7,230)		(7,230)
Principal and interest on long-term debt	45,488				(45,488)		(45,488)
Total Governmental Activities	1,317,661	101,813	36,155	125,531	(1,054,162)	0	(1,054,162)
Business-type Activities:							
Water/Sewer Utility	767,998	275,231		509,494		16,727	16,727
Gas Utility	716,568	675,298				(41,270)	(41,270)
Total Business-type Activities	1,484,566	950,529	0	509,494	0	(24,543)	(24,543)
Total Government	\$ 2,802,227	1,052,342	36,155	635,025	(1,054,162)	(24,543)	(1,078,705)
General Receipts							
Taxes:							
Property taxes					\$ 85,161		85,161
In lieu of taxes					192,504		192,504
Sales tax					74,514		74,514
Franchise taxes					17,506		17,506
Grants and contributions not restricted to specific programs					2,791		2,791
Unrestricted investment income					670	541	1,211
Miscellaneous					26,362	20,607	46,969
Proceeds from debt					450,000	75,000	525,000
Transfers					130,000	(130,000)	
Total General Receipts					979,508	(33,852)	945,656
Change in net assets					(74,654)	(58,395)	(133,049)
Net Assets - Beginning					394,564	481,818	876,382
Net Assets - Ending					\$ 319,910	423,423	743,333

**Town of Walnut Grove
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2012**

(Continued)

ASSETS	
Cash and cash equivalents	\$ 646,476
Restricted cash	96,857
Total Assets	<u>\$ 743,333</u>
NET ASSETS	
Restricted:	
Restricted for fire protection	\$ 652
Restricted for meter deposits	71,077
Restricted for contingency and depreciation	25,128
Unrestricted	<u>646,476</u>
Total Net Assets	<u>\$ 743,333</u>

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

**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, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Water/Sewer and Gas Funds</u>
RECEIPTS		
Ad valorem taxes	\$ 85,161	
In lieu of taxes	192,504	
License and permits	1,045	
Franchise taxes on utilities	17,506	
Intergovernmental revenues:		
Federal revenues:		
Grants	30,000	509,494
State shared revenues:		
Sales taxes	74,514	
Grants	37,261	
Homestead exemption reimbursement	2,791	
Fire insurance premium tax distribution	9,637	
General municipal aid	7,139	
Local shared revenues:		
Fire protection	10,057	
Charges for services:		
Garbage	25,171	
Water and sewer utility		275,231
Gas utility		675,298
Fines and forfeits	27,160	
Rental income	48,437	
Interest income	670	541
Contributions from outside sources	67,592	
Miscellaneous revenue	26,362	20,607
Total Receipts	<u>663,007</u>	<u>1,481,171</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, 2012**

(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Water/Sewer and Gas Funds</u>
DISBURSEMENTS		
General government	93,871	
Public safety	231,069	
Public works	130,049	
Culture and recreation	82,678	
Economic development	7,230	
Water and sewer utility:		
Personal services		301,352
Supplies		422,756
Utilities		48,729
Other services and charges		17,033
Gas purchases		229,376
Total Disbursements	<u>544,897</u>	<u>1,019,246</u>
Excess of Receipts over (under) Disbursements	<u>118,110</u>	<u>461,925</u>
OTHER CASH SOURCES (USES)		
Issuance of debt	450,000	75,000
Capital outlay	(727,276)	(411,731)
Principal and interest paid on long-term debt	(45,488)	(53,589)
Transfers in (out) to other funds	130,000	(130,000)
Total Other Cash Sources and (Uses)	<u>(192,764)</u>	<u>(520,320)</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	(74,654)	(58,395)
CASH BASIS FUND BALANCE - Beginning of Year	<u>394,564</u>	<u>481,818</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 319,910</u>	<u>423,423</u>
CASH BASIS ASSETS - End of Year		
Cash and cash equivalents	\$ 319,258	327,218
Restricted cash	<u>652</u>	<u>96,205</u>
Total Cash Basis Assets	<u>\$ 319,910</u>	<u>423,423</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, 2012

(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Water/Sewer and Gas Funds</u>
CASH BASIS FUND BALANCES - End of Year		
Restricted:		
Restricted for fire protection	\$ 652	
Restricted for meter deposits		71,077
Restricted for contingency and depreciation		25,128
Unassigned	<u>319,258</u>	<u>327,218</u>
 Total Cash Basis Fund Balances	 <u>\$ 319,910</u>	 <u>423,423</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, 2012

(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.

TOWN OF WALNUT GROVE

Notes to Financial Statements For the Year Ended September 30, 2012

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 \$96,857 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, 2012

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$743,336 and the bank balance was \$762,972. 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, 2012, none of the Town's bank balance of \$762,972 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(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.

(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, 2012, 2011 and 2010 were \$43,787, \$45,567, and \$43,462, respectively, which is equal to the required contributions for each year.

TOWN OF WALNUT GROVE

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Walnut Grove
 Budgetary Comparison Schedule -
 Budget and Actual
 General Fund
 For the Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Ad valorem taxes	\$ 83,500	91,400	85,161	
In lieu of taxes	180,000	175,000	192,504	
License and permits	950	1,050	1,045	
Franchise tax	19,000	19,000	17,506	
Intergovernmental revenues	649,850	624,550	171,399	
Charges for services	21,000	23,500	25,171	
Fines and forfeits	35,000	25,000	27,160	
Interest income		750	670	
Miscellaneous	45,600	122,500	142,391	
Total Receipts	<u>1,034,900</u>	<u>1,082,750</u>	<u>663,007</u>	<u>(419,743)</u>
EXPENDITURES				
General government	105,700	110,725	93,871	
Public safety	297,870	254,021	237,055	
Public works	68,700	151,175	130,174	
Culture and recreation	732,350	771,150	803,843	
Economic development		8,150	7,230	
Debt service:				
Principal and interest	30,000	29,000	45,488	
Total Expenditures	<u>1,234,620</u>	<u>1,324,221</u>	<u>1,317,661</u>	<u>6,560</u>
Excess of Receipts over (under) Expenditures	<u>(199,720)</u>	<u>(241,471)</u>	<u>(654,654)</u>	<u>(413,183)</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt			450,000	
Transfers in	325,000	308,000	130,000	
Total Other Cash Sources and Uses	<u>325,000</u>	<u>308,000</u>	<u>580,000</u>	<u>272,000</u>
Net Change in Cash Basis Fund Balance	125,280	66,529	(74,654)	(141,183)
Cash Basis Fund Balances - Beginning	<u>194,630</u>	<u>194,630</u>	<u>394,564</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 319,910</u>	<u>261,159</u>	<u>319,910</u>	<u>(141,183)</u>

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

TOWN OF WALNUT GROVE

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2012**

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, 2012**

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2012</u>
<u>Other long-term debt:</u>				
Governmental Activities:				
CAP Loan	\$	450,000	12,460	437,540
Capital Leases Payable:				
Bank of Walnut Grove	16,452		16,452	0
Bank of Walnut Grove	24,372		7,429	16,943
Total Governmental Activities	<u>40,824</u>	<u>450,000</u>	<u>36,341</u>	<u>454,483</u>
Business-type Activities:				
Water and Sewer:				
Note payable - Mississippi Development Authority	172,663		37,305	135,358
Gas:				
Note payable - Bank of Walnut Grove	14,370		5,331	9,039
Note payable - Bank of Walnut Grove		75,000		75,000
Total Business-type Activities	<u>187,033</u>	<u>75,000</u>	<u>42,636</u>	<u>219,397</u>
Total Other Long-term Debt	<u>227,857</u>	<u>525,000</u>	<u>78,977</u>	<u>673,880</u>
Total Long-term Debt	<u>\$ 227,857</u>	<u>525,000</u>	<u>78,977</u>	<u>673,880</u>

**Town of Walnut Grove
Schedule of Investments - All Funds
September 30, 2012**

	<u>Deposit Amount</u>
Certificate of Deposit with Bank of Walnut Grove maturing September 10, 2013; interest rate at 0.80%.	\$ 3,000
Certificate of Deposit with Bank of Walnut Grove maturing August 29, 2013; interest rate at .80%.	20,000
Certificate of Deposit with Bank of Walnut Grove maturing September 12, 2013; interest rate at 0.80%.	<u>25,355</u>
	<u>\$ 48,355</u>
 Fund Recap:	
Water and Sewer Fund	\$ 3,000
Gas Fund	<u>45,355</u>
 Total	 <u>\$ 48,355</u>

**Town of Walnut Grove
 Schedule of Surety Bonds for Municipal Officials and Employees
 September 30, 2012**

<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Aldermen	MS Municipal Bond Program	\$ 10,000
Mayor	MS Municipal Bond Program	25,000
Mayor	Brierfield Insurance	100,000
City Clerk	Brierfield Insurance	100,000
Deputy City Clerk	Brierfield Insurance	50,000
Police Chief	Brierfield Insurance	50,000
Police Officers, each	Brierfield Insurance	25,000
Maintenance Supervisor	Brierfield Insurance	50,000

**Town of Walnut Grove
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2012**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Land	\$ 84,829	7,500		92,329
Construction in progress	106,434	613,851	(720,285)	0
Buildings	376,703		720,285	1,096,988
Improvements other than buildings	853,013	10,049		863,062
Machinery and equipment	458,572	95,876		554,448
Total Governmental Activities Capital Assets	\$ 1,879,551	727,276	0	2,606,827
Business-type Activities				
Capital Assets:				
Land	\$ 237,071			237,071
Construction in progress CDBG		409,494		409,494
Buildings	80,545			80,545
Machinery and equipment	339,279	2,237		341,516
Water and sewer system	3,789,900			3,789,900
Gas system	660,309			660,309
Total Business-type Activities Capital Assets	\$ 5,107,104	411,731	0	5,518,835

TOWN OF WALNUT GROVE

SUPPLEMENTAL INFORMATION

TOWN OF WALNUT GROVE
Schedule of Expenditures of Federal Awards
September 30, 2012

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
Major Programs:				
U. S. Department of Housing and Urban Development/Mississippi Development Authority/Community Development Block Grant	14.228	CDBG-2011	112811376PF01	\$ 409,494
U. S. Department of Housing and Urban Development/ Mississippi Development Authority/Community Development Block Grant	14.228	CDBG-2008	112508376EM01	<u>100,000</u>
Total Major Programs				<u>509,494</u>
Non-Major Program:				
U. S. Department of Agriculture/ Rural Development Community Facility Grant	10.766		N/A	<u>30,000</u>
Total Non-Major Program				<u>30,000</u>
Total Major and Non-Major Programs				\$ <u>539,494</u>

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Walnut Grove and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF WALNUT GROVE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
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, 2012, which collectively comprise Town of Walnut Grove, Mississippi's basic financial statements and have issued our report thereon dated May 3, 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.

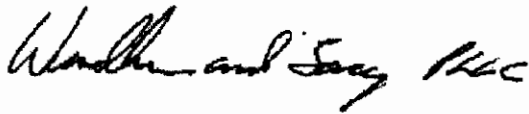
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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*.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
May 3, 2013

Windham and Lacey, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Town of Walnut Grove, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2012. Town of Walnut Grove, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Town of Walnut Grove, Mississippi's management. Our responsibility is to express an opinion on Town of Walnut Grove, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Walnut Grove, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Walnut Grove, Mississippi's compliance with those requirements.

In our opinion, Town of Walnut Grove, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

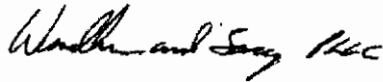
Internal Control Over Compliance

The management of Town of Walnut Grove, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Walnut Grove, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
May 3, 2013

Windham and Lacey, PLLC

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

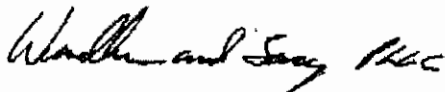
Honorable Mayor and
Members of the Board of Aldermen
Town of Walnut Grove, Mississippi

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, 2012, and have issued our report thereon dated May 3, 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
May 3, 2013

TOWN OF WALNUT GROVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TOWN OF WALNUT GROVE
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

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 |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program:

U. S. Department of Housing and Urban Development/Community Development Block Grant/CFDA #14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

TOWN OF WALNUT GROVE

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012**

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*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.