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Town of Ecu, Mississippi
Compilation Report and Report on Agreed-upon Procedures
September 30, 2016

Town of Ecu, Mississippi

Contents

Independent Accountants' Compilation Report	1
Statement of Cash Receipts and Disbursements Governmental and Business-type Activities	3
Notes to Financial Statement	5
Supplementary Information	
Schedule I – Schedule of Long-Term Debt	9
Schedule II - Schedule of Surety Bonds for Municipal Officials	10
Report of Compliance with State Laws and Regulations	11
Independent Accountants' Report on Applying Agreed-Upon Procedures	14



WATKINS, WARD and STAFFORD

**Professional Limited Liability Company
Certified Public Accountants**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

The Honorable Mayor and Board of Aldermen
Town of Ecu, Mississippi

Management is responsible for the accompanying Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities of the Town of Ecu, Mississippi for the year ended September 30, 2016, and the related notes to financial statement, which collectively comprise the Town's basic financial statements as listed in the contents, in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities.

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities is prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

The supplementary information contained in Schedules I and II is presented in compliance with the requirements of the Mississippi Office of the State Auditor and has been compiled from information that is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Other Information

The Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities and related notes to financial statement are intended to comply with the requirements of the Mississippi Office of the State Auditor, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

In accordance with the provisions of §21-35-31, Miss Code Ann. (1972), we have issued a report dated December 26, 2017 on the results of our agreed-upon procedures.

Pontotoc, Mississippi
December 26, 2017

Watkins Ward and Stafford, PLLC

Town of Ecu, Mississippi
Statement of Cash Receipts and Disbursements-
Governmental and Business-type Activities
For the Year Ended September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Water & Sewer</u>	
Cash Receipts			
General Property Taxes	\$ 209,200		209,200
In Lieu of Taxes	30,842		30,842
License and Permits			
Privilege License	1,730		1,730
Building Permits	105		105
Franchise Tax	9,477		9,477
Intergovernmental Revenue:			
State Shared Revenues:			
Sales Tax	277,309		277,309
Gasoline Tax	2,685		2,685
General Municipal Aid	446		446
Fire Insurance Premium Tax Distribution	5,740		5,740
MDOT Utility Relocation Grant	100,221		100,221
Charges for Services:			
Sanitation	25,930		25,930
Water and Sewer		334,862	334,862
Other Cash Receipts:			
Fines	54,360		54,360
Miscellaneous	11,619		11,619
Interest Income		234	234
Cemetery Lots & Donations	850		850
Park Revenues & Donations	7,200		7,200
TOTAL CASH RECEIPTS	<u>\$ 737,714</u>	<u>335,096</u>	<u>1,072,811</u>
DISBURSEMENTS:			
General government	\$ 210,249		210,249
Public Safety:			
Police	221,782		221,782
Fire	8,513		8,513
Maintenance of Public Property	17,166		17,166
Recreation	3,669		3,669
Sanitation	20,167		20,167
Water & Sewer		368,299	368,299
Debt Service Interest	1,058	16,633	17,691
MDOT Relocation Expense	91,063		91,063
TOTAL DISBURSEMENTS	<u>\$ 573,667</u>	<u>384,932</u>	<u>958,599</u>

See accompanying notes and independent accountants' compilation report.

Town of Ecu, Mississippi
Statement of Cash Receipts and Disbursements-
Governmental and Business-type Activities
For the Year Ended September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
	<u>General</u>	<u>Water</u>	<u>Total</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER DISBURSEMENTS			
	\$ 164,048	(49,836)	114,212
OTHER FINANCING SOURCES (USES)			
Proceeds of loans	100,000		100,000
Capital Outlay	(6,996)	(4,250)	(11,246)
Payroll Withholding	(20,669)		(20,669)
Transfers	(91,402)	91,402	
TOTAL OTHER FINANCING SOURCES (USES)	(19,067)	87,152	68,085
Excess (deficiency) of cash receipts and other financing sources over disbursements and other financing uses	144,980	37,316	182,296
CASH BALANCE-BEGINNING	(11,791)	(1,725)	(13,516)
CASH BALANCE-ENDING	\$ 133,189	35,591	168,780

See accompanying notes and independent accountants' compilation report.

TOWN OF ECRU, MISSISSIPPI NOTES TO FINANCIAL STATEMENT

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The financial statement of the Town consists of all the funds of the Town.

The Citizens of Ecu have elected to operate under a Code Charter as permitted by Mississippi Statute 21-3-3, which prescribes a Mayor and Board of Aldermen form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no includable or excludable potential component units.

Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into two generic fund types and two broad fund categories as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**TOWN OF ECRU, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT**

Note 1: Summary of Significant Accounting Policies (Continued):

Proprietary Funds:

Enterprise Funds - Enterprise Funds are the Business-type Activities and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Business-type Activity is the Water/Sewer Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Town uses the cash basis of accounting as prescribed by the Mississippi Office of the State Auditor.

In the fund financial statements, governmental and business-like activities are presented using a cash basis of accounting. This basis recognizes assets, liabilities, net-assets/fund equity, revenues and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Town utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Under the modified accrual basis revenues are recognized when measurable and available. Measurable means, being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis revenues are recognized when earned. Expenses (including depreciation and amortization) are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**TOWN OF ECRU, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT**

Note 2: Report Classifications

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

Note 3: Subsequent Events

Management of the Town of Ecu evaluated the activity of the municipality through December 26, 2017, (the date the financial statement was available to be issued), and determined that the following subsequent event has occurred and would require disclosure in the notes to the financial statement.

On September 12, 2017, as the result of an investigation by the Mississippi Office of the State Auditor, the former City Clerk and former Chief of Police were arrested and charged with embezzlement. The OSA Investigative Division issued demands of \$393,085.26, which includes interest and investigative costs. In addition to the embezzlement, records were missing and/or destroyed for the years 2014 through 2016. Therefore, the amount of revenues, other than those that passed through the state and county, could not be determined.

SUPPLEMENTARY INFORMATION

TOWN OF ECRU, MISSISSIPPI
SCHEDULE I
SCHEDULE OF LONG TERM DEBT
September 30, 2016

Definition & Purpose	Balance Outstanding October 1, 2015	Issued	Transactions During Fiscal Year	Redeemed	Balance Outstanding September 30, 2016
General Fund:					
First National Bank	\$ 2,634				2,634
Three Rivers		100,000		20,506	79,494
First National Bank	14,013			3,868	10,145
Water & Sewer:					
Note Payable Rural Development	174,994			21,215	153,779
Note Payable First National Bank	35,229			17,300	17,929
Note Payable MDA	106,723			8,619	98,104
Totals	\$ 333,593	100,000		71,508	362,085

TOWN OF ECRU
SCHEDULE II
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2016

Name	Position	Company	Bond
Donald Andrews	Alderman	Old Republic Surety	\$50,000
Glen Denton	Alderman	Old Republic Surety	\$50,000
Gloria High	Alderman	Old Republic Surety	\$50,000
James Speck	Alderman	Old Republic Surety	\$50,000
Bill Nance	Alderman	Old Republic Surety	\$50,000
Mitzi Stokes	City Clerk	Old Republic Surety	\$50,000
Mitzi Stokes	Court Clerk	Old Republic Surety	\$50,000
Lisa Holcomb	Deputy City Clerk	Old Republic Surety	\$50,000
Lisa Holcomb	Deputy Court Clerk	Old Republic Surety	\$50,000
Vacant	Police Chief		



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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Alderman
Town of Ecu, Mississippi

We have compiled the accompanying Statement of Cash Receipts and Disbursements – Governmental and Business-type Activities, Schedule of Long-Term Debt and Schedule of Surety Bonds for Municipal Officials of the Town of Ecu, Mississippi, for the year ended September 30, 2016, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

We have performed procedures to test compliance with certain state laws and regulations as described in the Municipal Compliance Questionnaire that is prescribed by the Office of the State Auditor. 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 compilation of the accompanying Statement of Cash Receipts and Disbursements–Governmental and Business-type Activities, Schedule of Long-Term Debt and Schedule of Surety Bonds for Municipal Officials of the Town of Ecu, Mississippi, for the year ended September 30, 2016, disclosed one instance of noncompliance with state laws and regulations, which is listed below.

Municipal Compliance Questionnaire

According to the instructions to the questionnaire in the Municipal Audit and Accounting Guide, the questionnaire and related certification must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting (October). The questionnaire for this fiscal was not completed and entered into the minutes.

We recommend that the Clerk place a reminder on the calendar and the questionnaire be prepared and entered on the October minutes in future years in order to be in compliance.

This report is intended solely for the information and use of management 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.

Pontotoc, Mississippi
December 26, 2017

Watkins Ward and Stafford, PLLC

Independent Accountants' Report on Applying Agreed-Upon Procedures

Town of Ecu, Mississippi

September 30, 2016



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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

The Honorable Mayor and Board of Aldermen
Town of Ecu, Mississippi

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor, to the accounting records of the Town of Ecu, Mississippi, solely to assist the Office of the State Auditor in evaluating the Town of Ecu, Mississippi's compliance with certain laws and regulations as of September 30, 2016, and for the year then ended. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor, State of Mississippi. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1) We reconciled cash on deposit with the following bank to balances in the respective general ledger accounts and obtained confirmation of the related balances from the bank:

Bank	Fund	Balance Per General Ledger
First National Bank	General Fund	\$ 6,695
First National Bank	General Fund	24,957
First National Bank	General Fund	21,497
First National Bank	General Fund	299
First National Bank	General Fund	9,103
First National Bank	General Fund	45,517
First National Bank	General Fund	83
First National Bank	General Fund	664
Total General Fund		<u>\$ 108,815</u>
First National Bank	Water & Sewer Fund	\$ (11,543)
Total Water & Sewer Fund		<u>\$ (11,543)</u>

- 2) We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:
 - a. Tax assessments, billings and collections are handled by the Pontotoc County's tax collector's office and remitted monthly to the Town of Ecu. The tax levy and the calculation of the distribution to the individual entities is audited extensively by the auditors of Pontotoc County; therefore, the accountants will not perform a reconciliation of the tax roll to collections and will rely on the work of the audited Pontotoc County tax roll.
 - b. Traced distribution of taxes collected to proper funds

The distribution of taxes to funds was found to be in accordance with prescribed tax levies.

Ad valorem tax collections were found to be within the limitations of §27-39-320 to §27-39-323, Miss. Code Ann. (1972).

There were no ad valorem tax collections for the retirement of General Obligation Debt.

- 3) We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

Payment Purpose	Receiving Fund	General Ledger Amount
Sales Tax Allocation	General Fund	\$ 277,309
Homestead Reimbursement	General Fund	12,834
Fire Protection Allocation	General Fund	5,740
General Municipal Aid	General Fund	446
Gasoline Tax	General Fund	2,685
TVA - In Lieu of Tax	General Fund	15,320
MDOT Utility Relocation	General Fund	100,221
Total		<u>\$ 414,555</u>

- 4) We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for proper approval and compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), if applicable.

The sample consisted of the following:

- a. Number of Sample Items 60
- b. Total Dollar Value of Sample \$ 61,457.39

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections. However, the Town needs to attach supporting documentation to all check stubs, and pay checks in a sequential manner.

- 5) The Town failed to complete and enter the Municipal Compliance Questionnaire which is required to be completed and entered in the minutes of the Board of Alderman in the month (October) following the end of the fiscal year.

We were not engaged to, and did not perform, an examination, the objective of which would be the expression of an opinion on management's compliance with laws and regulations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Office of the State Auditor, State of Mississippi and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Pontotoc, Mississippi
December 26, 2017

Watkins Ward and Stafford, PLLC