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TOWN OF WALNUT GROVE, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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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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, Mississippi, as of and for the year ended September 30, 2016, 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 and the major fund of the Town of Walnut Grove, Mississippi, as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

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.

Omission of Required Supplementary Information

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.

Supplementary and Other Information

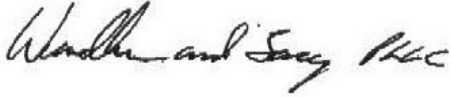
The Schedule of Long-term Debt, the Schedule of Investments - All Funds, the Schedule of Surety Bonds for Municipal Officials and Employees, the Schedule of Capital Assets and the Statement of Cash Receipts and Disbursements - Water, Sewer and Gas Utility Funds for the Town of Walnut Grove, Mississippi, have 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 them.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of the Town of Walnut Grove, Mississippi'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* in considering the Town of Walnut Grove, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the Town of Walnut Grove, Mississippi 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.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
March 2, 2017

TOWN OF WALNUT GROVE

FINANCIAL STATEMENTS

Town of Walnut Grove
Statement of Activities and Net Position - Cash Basis
As of and For the Year Ended September 30, 2016

	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Governmental Activities:							
General government	\$ 177,440	8,560	12,686		(156,194)		(156,194)
Public safety	812,267	88,559	35,336	1,304	(687,068)		(687,068)
Public works	99,648	41,850	320	341,391	283,913		283,913
Culture and recreation	88,686				(88,686)		(88,686)
Economic development	17,543				(17,543)		(17,543)
Principal and interest on long-term debt	29,948				(29,948)		(29,948)
Total Governmental Activities	<u>1,225,532</u>	<u>138,969</u>	<u>48,342</u>	<u>342,695</u>	<u>(695,526)</u>	<u>0</u>	<u>(695,526)</u>
Business-type Activities:							
Water/sewer utility	317,677	353,183				35,506	35,506
Gas utility	<u>793,518</u>	<u>775,534</u>				<u>(17,984)</u>	<u>(17,984)</u>
Total Business-type Activities	<u>1,111,195</u>	<u>1,128,717</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,522</u>	<u>17,522</u>
Total Government	\$ <u>2,336,727</u>	<u>1,267,686</u>	<u>48,342</u>	<u>342,695</u>	<u>(695,526)</u>	<u>17,522</u>	<u>(678,004)</u>
General Receipts and Transfers							
Taxes:							
Property taxes					\$ 60,976		60,976
In lieu of taxes					187,736		187,736
Sales tax					72,440		72,440
Franchise taxes					20,066		20,066
Grants and contributions not restricted to specific programs					3,667		3,667
Unrestricted investment income					4,862	413	5,275
Miscellaneous					23,266	18,252	41,518
Proceeds from debt					99,083		99,083
Proceeds from sales of fixed assets					8,337		8,337
Transfers					183,000	(183,000)	
Total General Receipts and Transfers					<u>663,433</u>	<u>(164,335)</u>	<u>499,098</u>
Change in net position					(32,093)	(146,813)	(178,906)
Net Position - Beginning					<u>329,527</u>	<u>484,993</u>	<u>814,520</u>
Net Position - Ending					\$ <u>297,434</u>	<u>338,180</u>	<u>635,614</u>

Town of Walnut Grove
Statement of Activities and Net Position - Cash Basis
As of and For the Year Ended September 30, 2016

(Continued)

ASSETS	
Cash and cash equivalents	\$ 430,653
Restricted cash	<u>204,961</u>
Total Assets	\$ <u><u>635,614</u></u>
NET POSITION	
Restricted:	
Restricted for fire protection	\$ 103,791
Restricted for meter deposits	75,279
Restricted for contingency and depreciation	25,891
Unrestricted	<u>430,653</u>
Total Net Position	\$ <u><u>635,614</u></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, 2016

	<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	\$ 60,976	
In lieu of taxes	187,738	
License and permits	1,465	
Franchise taxes on utilities	20,066	
Intergovernmental revenues:		
Federal revenues:		
Grants	339,580	
State shared revenues:		
Sales taxes	72,440	
Grants	9,115	
Homestead exemption reimbursement	2,662	
Fire insurance premium tax distribution	12,256	
General municipal aid	6,686	
Local shared revenues:		
Fire protection	23,400	
Charges for services:		
Garbage	41,850	
Water and sewer utility		366,896
Gas utility		775,534
Fines and forfeits	88,559	
Rental income	7,095	
Interest income	386	413
Proceeds from sales of fixed assets	8,337	
Miscellaneous revenue	28,745	18,252
Total Receipts	<u>911,356</u>	<u>1,161,095</u>
DISBURSEMENTS		
General government	174,171	
Public safety	289,203	
Public works	94,259	
Culture and recreation	81,835	
Economic development	17,543	
Water, sewer and gas utility:		
Personnel services		429,632
Supplies		311,478
Utilities		36,065
Other services and charges		47,495
Gas purchases		223,939
Total Disbursements	<u>657,011</u>	<u>1,048,609</u>
Excess of Receipts over (under) Disbursements	<u>254,345</u>	<u>112,486</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, 2016

(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>
OTHER CASH SOURCES (USES)		
Capital outlay	(538,572)	(31,874)
Principal and interest paid on long-term debt	(29,949)	(44,425)
Debt proceeds	99,083	
Transfers in (out) to other funds	183,000	(183,000)
Total Other Cash Sources and (Uses)	<u>(286,438)</u>	<u>(259,299)</u>
Excess (Deficiency) of Receipts and Other Cash Sources over Disbursements and Other Cash Uses	(32,093)	(146,813)
CASH BASIS FUND BALANCE - Beginning of Year	<u>329,527</u>	<u>484,993</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 297,434</u>	<u>338,180</u>
CASH BASIS ASSETS - End of Year		
Cash and cash equivalents	\$ 193,643	237,010
Restricted cash	<u>103,791</u>	<u>101,170</u>
Total Cash Basis Assets	<u>\$ 297,434</u>	<u>338,180</u>
CASH BASIS FUND BALANCES - End of Year		
Restricted:		
Restricted for fire protection	\$ 103,791	
Restricted for meter deposits		75,279
Restricted for contingency and depreciation		25,891
Unassigned	<u>193,643</u>	<u>237,010</u>
Total Cash Basis Fund Balances	<u>\$ 297,434</u>	<u>338,180</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, 2016

(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 Position and the Statement of Changes in Net Position) 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 Position.

The Statement of Activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 Fund:

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, 2016

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.

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, 2016

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$635,614 and the bank balance was \$665,053. 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 Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of 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, 2016, none of the Town's bank balance of \$665,053 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, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law 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 15.75% 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, 2016, 2015 and 2014 were \$77,229, \$80,869 and \$73,956 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, 2016**

	<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	\$ 61,000	54,500	60,976	6,476
In lieu of taxes	127,000	172,950	187,738	14,788
License and permits	1,600	1,800	1,465	(335)
Franchise tax	20,000	20,100	20,066	(34)
Intergovernmental revenues	586,500	502,800	466,139	(36,661)
Charges for services	35,000	40,700	41,850	1,150
Fines and forfeits	50,000	66,700	88,559	21,859
Interest income	300	300	386	86
Miscellaneous	7,100	44,750	44,177	(573)
Total Receipts	<u>888,500</u>	<u>904,600</u>	<u>911,356</u>	<u>6,756</u>
EXPENDITURES				
General government	327,850	208,200	174,171	34,029
Public safety	800,250	914,000	289,203	624,797
Public works	186,000	155,000	94,259	60,741
Culture and recreation	106,525	114,125	81,835	32,290
Economic development	29,000	18,000	17,543	457
Debt service:				
Principal and interest	5,000		29,949	(29,949)
Total Expenditures	<u>1,454,625</u>	<u>1,409,325</u>	<u>686,960</u>	<u>722,365</u>
Excess of Receipts over (under) Expenditures	<u>(566,125)</u>	<u>(504,725)</u>	<u>224,396</u>	<u>729,121</u>
OTHER CASH SOURCES (USES)				
Capital outlay			(538,572)	(538,572)
Proceeds from debt	125,000	125,000	99,083	(25,917)
Transfers in	445,000	176,000	183,000	7,000
Total Other Cash Sources and Uses	<u>570,000</u>	<u>301,000</u>	<u>(256,489)</u>	<u>(557,489)</u>
Net Change in Cash Basis Fund Balance	3,875	(203,725)	(32,093)	171,632
Cash Basis Fund Balances - Beginning	<u>210,000</u>	<u>230,000</u>	<u>329,527</u>	
Cash Basis Fund Balances - Ending	<u>\$ 213,875</u>	<u>26,275</u>	<u>297,434</u>	<u>171,632</u>

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

TOWN OF WALNUT GROVE

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2016**

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 - UNAUDITED
For the Year Ended September 30, 2016**

<u>Description</u>	<u>Outstanding Balance Oct. 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2016</u>
Governmental Activities:				
CAP loan	\$ 382,274		18,343	363,931
CAP loan		99,083		99,083
Total Governmental Activities	<u>382,274</u>	<u>99,083</u>	<u>18,343</u>	<u>463,014</u>
Business-type Activities:				
Gas :				
Revenue loan	<u>150,000</u>	<u>0</u>	<u>29,363</u>	<u>120,637</u>
Total Business-type Activities	<u>150,000</u>	<u>0</u>	<u>29,363</u>	<u>120,637</u>
 Total Long-term Debt	 <u>\$ 532,274</u>	 <u>99,083</u>	 <u>47,706</u>	 <u>583,651</u>

Town of Walnut Grove
Schedule of Investments - All Funds - UNAUDITED
September 30, 2016

	<u>Deposit Amount</u>
Certificate of Deposit with Bank of Walnut Grove, maturing September 10, 2017; interest rate of 0.65%	\$ 3,000
Certificate of Deposit with Bank of Walnut Grove, maturing August 29, 2017; interest rate of 0.65%	20,000
Certificate of Deposit with Bank of Walnut Grove, maturing September 12, 2017; interest rate of 0.65%	<u>25,890</u>
Total	\$ <u><u>48,890</u></u>
Fund Recap:	
Water and Sewer Fund	\$ 3,000
Gas Fund	<u>45,890</u>
Total	\$ <u><u>48,890</u></u>

Town of Walnut Grove
Schedule of Surety Bonds for Municipal Officials and Employees - UNAUDITED
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Marvin Daniel Jones, III	Alderman	Travelers Casualty & Surety Co.	\$ 25,000
Michael P. Johnson	Alderman	Travelers Casualty & Surety Co.	25,000
Cindy Lois Jones	Alderman	Travelers Casualty & Surety Co.	25,000
Teresa Darby	Alderman	Travelers Casualty & Surety Co.	25,000
Jerry Darby	Alderman	Travelers Casualty & Surety Co.	25,000
James Brian Gomillion	Mayor	Brierfield Insurance	50,000
Paula Dennise Jones-Putnam	City clerk	Brierfield Insurance	50,000
Skyla Withers	Clerk assistant	Travelers Casualty & Surety Co.	50,000
Jerry Millsaps	Maintenance	Western Surety Company	1,000
Kevin Polk	Police chief	Brierfield Insurance	50,000
Kenny Chipley	Police	RLI Insurance Company	25,000
Jimmy Lewis	Police	Travelers Casualty & Surety Co.	10,000

**Town of Walnut Grove
Schedule of Capital Assets - UNAUDITED
For the Fiscal Year Ended September 30, 2016**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u> **	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets:					
Land	\$ 114,300				114,300
Construction in progress		505,435		26,881	532,316
Buildings	953,479				953,479
Improvements other than buildings	1,012,168	17,764			1,029,932
Machinery and equipment	<u>770,053</u>	<u>15,373</u>	<u>(12,200)</u>		<u>773,226</u>
 Total Governmental Activities Capital Assets	 \$ <u>2,850,000</u>	 <u>538,572</u>	 <u>(12,200)</u>	 <u>26,881</u>	 <u>3,403,253</u>
Business-type Activities:					
Capital Assets:					
Land	\$ 320,536				320,536
Construction in progress	39,826	11,535			51,361
Buildings	85,349				85,349
Machinery and equipment	506,491	20,339			526,830
Water and sewer system	4,201,894				4,201,894
Gas system	<u>703,398</u>				<u>703,398</u>
 Total Business-type Activities Capital Assets	 \$ <u>5,857,494</u>	 <u>31,874</u>	 <u>0</u>	 <u>0</u>	 <u>5,889,368</u>

** To add 2015 expenditures for construction project.

TOWN OF WALNUT GROVE

SUPPLEMENTAL INFORMATION

**Town of Walnut Grove
Statement of Cash Receipts and Disbursements
Water, Sewer and Gas Utility Funds - UNAUDITED
For the Year Ended September 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
RECEIPTS				
Water	\$ 183,216			183,216
Sewer		183,680		183,680
Gas utility			775,534	775,534
Interest income	95		318	413
Miscellaneous revenue	12,972		5,280	18,252
Total Receipts	<u>196,283</u>	<u>183,680</u>	<u>781,132</u>	<u>1,161,095</u>
DISBURSEMENTS				
Personnel services	72,284	72,458	284,890	429,632
Supplies	71,040	71,211	169,227	311,478
Utilities	10,376	10,400	15,289	36,065
Other services and charges	7,115	7,133	33,247	47,495
Gas purchases			223,939	223,939
Total Disbursements	<u>160,815</u>	<u>161,202</u>	<u>726,592</u>	<u>1,048,609</u>
Excess of Receipts over (under) Disbursements	<u>35,468</u>	<u>22,478</u>	<u>54,540</u>	<u>112,486</u>
OTHER CASH SOURCES (USES)				
Capital outlay	(9,373)		(22,501)	(31,874)
Principal and interest paid on long-term debt			(44,425)	(44,425)
Transfers in (out) to other funds	(17,000)		(166,000)	(183,000)
Total Other Cash Sources and (Uses)	<u>(26,373)</u>	<u>0</u>	<u>(232,926)</u>	<u>(259,299)</u>
Excess (Deficiency) of Receipts and Other Cash Sources over Disbursements and Other Cash Uses	<u>\$ 9,095</u>	<u>22,478</u>	<u>(178,386)</u>	<u>(146,813)</u>

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
BASIC 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, 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, the financial statements of the governmental activities, the business-type activities and the major fund of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Walnut Grove, Mississippi's internal control to determine the auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

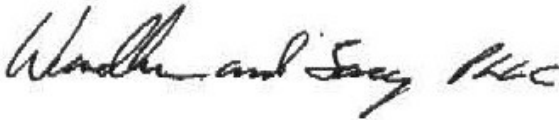
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
March 2, 2017

Windham and Lacey, PLLC

Certified Public Accountants

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

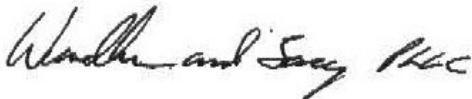
Honorable Mayor and
Members of the Board of Aldermen
Town of Walnut Grove, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities and the major fund of the Town of Walnut Grove, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated March 2, 2017. 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
March 2, 2017

TOWN OF WALNUT GROVE

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF WALNUT GROVE
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unmodified |
| 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*.