

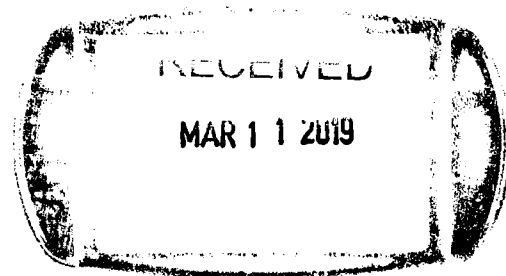


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**TOWN OF LEAKESVILLE, MISSISSIPPI**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**



**TOWN OF LEAKESVILLE**

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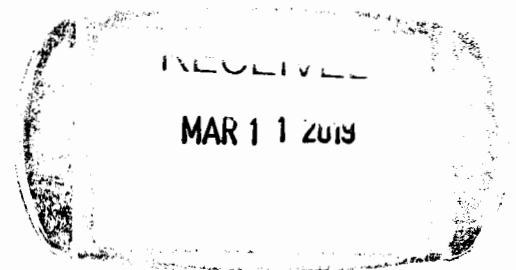
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**TOWN OF LEAKESVILLE**

**FINANCIAL SECTION**



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

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Leakesville, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

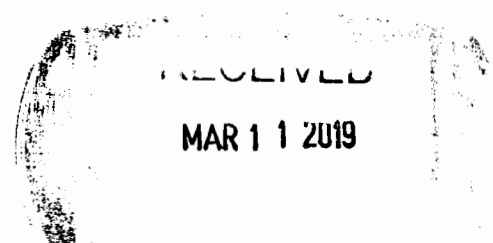
Management is responsible for the preparation and fair presentation of these financial statements on the basis of cash receipts and disbursements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of September 30, 2017, and the respective changes in cash basis financial position thereof for the year then ended in accordance 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 Leakesville, 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.

### *Other Required Supplementary Information*

The Schedule of Changes in Long-term Debt, the Schedule of Surety Bonds, and the Schedule of Capital Assets for the Town of Leakesville, 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.

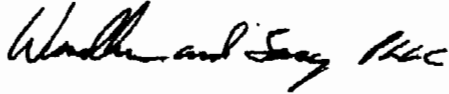
## Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the Town of Leakesville, 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 effectiveness of the Town of Leakesville, Mississippi's 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 Leakesville, Mississippi's internal control over financial reporting and compliance.



**Emphasis of Matter**

As discussed in Note 1, the Town of Leakesville, 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.



Windham and Lacey, PLLC  
December 6, 2018

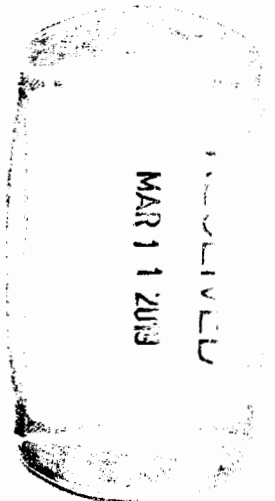
**TOWN OF LEAKESVILLE**

**FINANCIAL STATEMENTS**



**TOWN OF LEAKESVILLE**  
**Statement of Activities and Net Position - Cash Basis**  
**As of and For the Year Ended September 30, 2017**

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 377,350	43,257	33,513		(300,580)		(300,580)
Public safety	266,105		13,268		(252,837)		(252,837)
Public works	227,992	69,435			(158,557)		(158,557)
Culture and recreation	14,504				(14,504)		(14,504)
Interest on long-term debt	17,861				(17,861)		(17,861)
Total Governmental Activities	<u>903,812</u>	<u>112,692</u>	<u>46,781</u>	<u>0</u>	<u>(744,339)</u>	<u>0</u>	<u>(744,339)</u>
Business-type Activities:							
Water/Sewer	961,488	998,392				36,904	36,904
Total Business-type Activities	<u>961,488</u>	<u>998,392</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,904</u>	<u>36,904</u>
Total Government	\$ <u>1,865,300</u>	<u>1,111,084</u>	<u>46,781</u>	<u>0</u>	<u>(744,339)</u>	<u>36,904</u>	<u>(707,435)</u>
General Receipts							
Taxes:							
Property taxes					\$ 158,177		158,177
Road & bridge privilege taxes					58,656		58,656
Sales tax					312,960		312,960
Franchise taxes					54,565		54,565
Unrestricted investment income					175		175
Miscellaneous					24,218		24,218
Transfers					65,035	(65,035)	
Total General Receipts					<u>673,786</u>	<u>(65,035)</u>	<u>608,751</u>
Change in Net Position					(70,553)	(28,131)	(98,684)
Net Position - Beginning					<u>65,672</u>	<u>77,298</u>	<u>142,970</u>
Net Position - Ending					<u>\$ (4,881)</u>	<u>49,167</u>	<u>44,286</u>



**TOWN OF LEAKESVILLE**  
**Statement of Activities and Net Position - Cash Basis**  
**As of and For the Year Ended September 30, 2017**

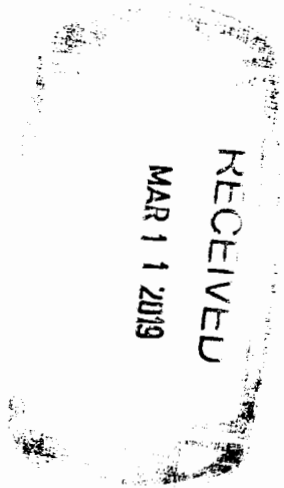
**(Continued)**

<b>ASSETS</b>	
Cash and cash equivalents	\$ (99,828)
Restricted cash	<u>144,114</u>
Total Assets	<u>\$ 44,286</u>
<b>NET POSITION</b>	
Restricted:	
Restricted for debt service	\$ 62,882
Restricted for public safety	37,335
Restricted for meter deposits	43,897
Unrestricted	<u>(99,828)</u>
Total Net Position	<u>\$ 44,286</u>

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

**TOWN OF LEAKESVILLE**  
**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, 2017**

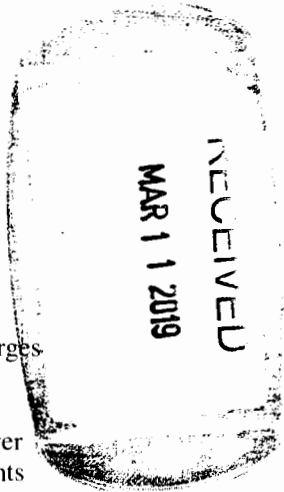
	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Major Fund</u>			<u>Major Fund</u>		
	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
<b>RECEIPTS</b>						
Ad valorem taxes	\$ 158,177		158,177			
Road and bridge tax	58,656		58,656			
License and permits	10,015		10,015			
Franchise taxes on utilities	54,565		54,565			
Intergovernmental revenues:						
Other state aid	14,394		14,394			
Homestead exemption reimbursement	15,921		15,921			
State shared revenues:						
Sales taxes	312,960		312,960			
Gasoline tax	2,750		2,750			
Municipal aid	448		448			
Fire insurance rebate	151	4,877	5,028			
Local shared revenues:						
County fire insurance rebate		8,240	8,240			
Charges for services:						
Garbage	69,435		69,435			
Water and sewer utility				998,392		998,392
Fines and forfeits	32,152	1,089	33,241			
Interest income		175	175			
Miscellaneous revenue	18,529	5,689	24,218			
<b>Total Receipts</b>	<u>748,153</u>	<u>20,070</u>	<u>768,223</u>	<u>998,392</u>	<u>0</u>	<u>998,392</u>



**TOWN OF LEAKESVILLE**  
**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, 2017**

(Continued)

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Major Fund</u>			<u>Major Fund</u>		
	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
<b>DISBURSEMENTS</b>						
General government	323,330		323,330			
Public safety	226,583	3,957	230,540			
Public works	213,628		213,628			
Culture and recreation	14,504		14,504			
Water and sewer utility						
Personal services				311,505		311,505
Supplies				185,842		185,842
Utilities				105,413		105,413
Other services and charges				210,496		210,496
Total Disbursements	<u>778,045</u>	<u>3,957</u>	<u>782,002</u>	<u>813,256</u>	<u>0</u>	<u>813,256</u>
Excess of Receipts Over (Under) Disbursements	<u>(29,892)</u>	<u>16,113</u>	<u>(13,779)</u>	<u>185,136</u>	<u>0</u>	<u>185,136</u>
<b>OTHER CASH SOURCES (USES)</b>						
Capital outlay - equipment		(20,680)	(20,680)			
Principal paid on bonds and notes	(83,268)		(83,268)	(84,709)		(84,709)
Interest paid on bonds and notes	(17,861)		(17,861)	(63,523)		(63,523)
Transfers in (out) from other funds	65,035		65,035	(65,035)		(65,035)
Total Other Cash Sources and (Uses)	<u>(36,094)</u>	<u>(20,680)</u>	<u>(56,774)</u>	<u>(213,267)</u>	<u>0</u>	<u>(213,267)</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	<u>(65,986)</u>	<u>(4,567)</u>	<u>(70,553)</u>	<u>(28,131)</u>	<u>0</u>	<u>(28,131)</u>
<b>CASH BASIS FUND BALANCE - Beg. of Year</b>	<u>20,717</u>	<u>44,955</u>	<u>65,672</u>	<u>77,282</u>	<u>16</u>	<u>77,298</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u>\$ (45,269)</u>	<u>40,388</u>	<u>(4,881)</u>	<u>49,151</u>	<u>16</u>	<u>49,167</u>



**TOWN OF LEAKESVILLE**  
**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, 2017**

(Continued)

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Major Fund</u>			<u>Major Fund</u>		
	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
<b>CASH BASIS ASSETS - End of Year</b>						
Cash and cash equivalents	\$ (45,269)		(45,269)	(54,575)	16	(54,559)
Restricted cash		40,388	40,388	103,726		103,726
Total Cash Basis Assets	\$ <u>(45,269)</u>	<u>40,388</u>	<u>(4,881)</u>	<u>49,151</u>	<u>16</u>	<u>49,167</u>
<b>CASH BASIS FUND BALANCES - End of Year</b>						
Restricted:						
Restricted for debt service	\$	3,053	3,053	59,829		59,829
Restricted for public safety		37,335	37,335			
Restricted for meter deposits				43,897		43,897
Unassigned	(45,269)		(45,269)	(54,575)	16	(54,559)
Total Cash Basis Fund Balances	\$ <u>(45,269)</u>	<u>40,388</u>	<u>(4,881)</u>	<u>49,151</u>	<u>16</u>	<u>49,167</u>

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

**TOWN OF LEAKESVILLE**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2017**

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town operates under an alderman/mayor form of government and provides all of the rights and privileges provided by statute for municipalities.

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 Activities) 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 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 collected and expenditures 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 recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

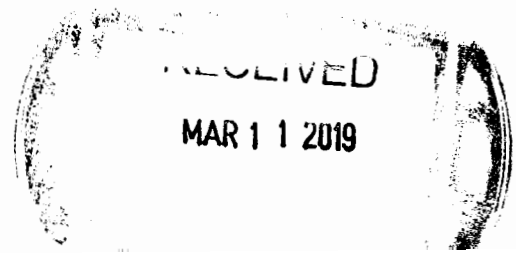
The Town reports the following major governmental fund:

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.

The Town reports the following major proprietary fund:

The *water/sewer fund* accounts for the activities of the water and sewer system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



## TOWN OF LEAKESVILLE

### Notes to Financial Statements For the Year Ended September 30, 2017

Amounts reported as *program receipts* include (1) 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 Position or Equity.

##### 1. *Cash.*

The government's cash and cash equivalents are considered to be cash on hand.

##### 2. *Net Position.*

Restricted net position - 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 position - 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:

**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.

**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.

#### (2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$44,286 and the bank balance was \$119,764. 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.

**TOWN OF LEAKESVILLE**

**Notes to Financial Statements  
For the Year Ended September 30, 2017**

**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 trust department or agent in the name of the Mississippi State Treasury on behalf of the Town. As of September 30, 2017, none of the Town's bank balance of \$119,764 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 Leakesville 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, 2017, 2016, and 2015 were \$58,670, \$53,222, and \$50,757, respectively, which is equal to the required contributions for each year.

(4) **Tax Abatements.**

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Leakesville Board of Aldermen and the Greene County Board of Supervisors negotiates property tax abatements on an individual basis. The Town had a tax abatement agreement with one entity as of September 30, 2017:

Category	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Construction and expansion of a manufacturing facility	100	\$ 2,421

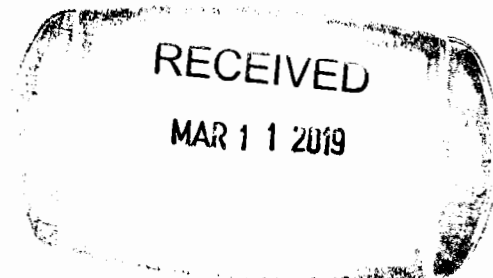


**TOWN OF LEAKESVILLE**

**Notes to Financial Statements  
For the Year Ended September 30, 2017**

The agreement was negotiated in accordance with Section 27-31-101, et. seq., Miss. Code (Ann.) 1972, which allows localities to abate property taxes for a variety of economic development purposes. The abatements may be granted for a period up to ten years and for up to 100% of annual property taxes through a direct reduction in the entity's property tax bill.

In addition to the reduced taxes, the Town participated in a Mississippi Rural Impact Fund Program (RIF) for the construction of an access road to the facility. The Town had final expenditures on the access road in fiscal year-end September 30, 2017 of \$5,250.



**TOWN OF LEAKESVILLE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF LEAKESVILLE**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>				
License & permits	\$ 4,200	10,015	10,015	
State shared revenues	332,100	346,624	346,624	
Local government revenues	62,000	69,435	69,435	
Fines & forfeits	33,000	32,152	32,152	
Miscellaneous revenues	110,600	73,094	73,094	
Tax levy	191,300	216,833	216,833	
Total Revenue	<u>733,200</u>	<u>748,153</u>	<u>748,153</u>	<u>0</u>
<b>EXPENDITURES</b>				
Executive and judicial	69,350	64,333	64,333	
Financial administrative	197,140	258,997	258,997	
Police	209,000	214,304	214,304	
Fire	11,400	12,279	12,279	
Street	229,500	213,628	213,628	
Park and recreation	30,550	7,354	7,354	
Library	7,200	7,150	7,150	
Total Expenditures	<u>754,140</u>	<u>778,045</u>	<u>778,045</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>(20,940)</u>	<u>(29,892)</u>	<u>(29,892)</u>	<u>0</u>
<b>OTHER CASH SOURCES (USES)</b>				
Capital outlay - improvements				
Capital outlay - equipment				
Loan proceeds				
Principal paid on bonds and notes		(83,268)	(83,268)	
Interest paid on bonds and notes		(17,861)	(17,861)	
Transfers in (out) from other funds		65,035	65,035	
Total Other Cash Sources and (Uses)	<u>0</u>	<u>(36,094)</u>	<u>(36,094)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	(20,940)	(65,986)	(65,986)	0
Cash Basis Fund Balances - Beginning	<u>20,717</u>	<u>20,717</u>	<u>20,717</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ (223)</u>	<u>(45,269)</u>	<u>(45,269)</u>	<u>0</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

**TOWN OF LEAKESVILLE**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2017**

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.

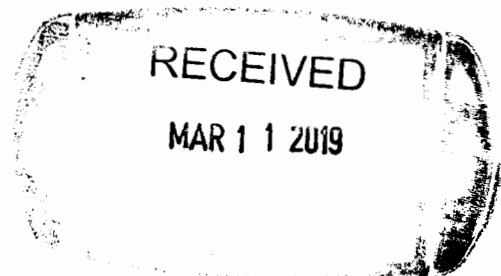
The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

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.

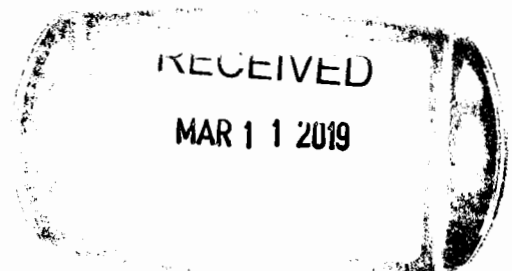
C. Budget Reconciliation.

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 LEAKESVILLE**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**



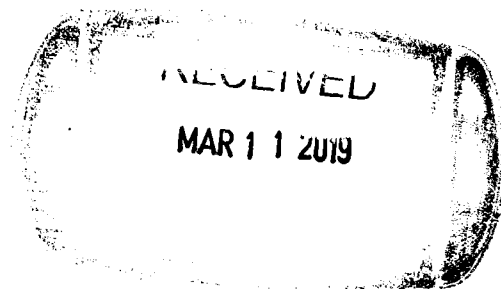
**TOWN OF LEAKESVILLE**  
**Schedule of Changes in Long-term Debt**  
**For the Year Ended September 30, 2017**

<u>Description</u>	<u>Outstanding Balance Oct. 1, 2016</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Adjustment</u>	<u>Outstanding Balance Sept. 30, 2017</u>
<u>Long-term Debt</u>					
Governmental Fund Debt:					
General obligation street improvement bond, Series 2011	\$ 408,350		23,390		384,960
First State Bank loan 00008512485000006	102,475		30,630		71,845
Note: Donald West	10,882		8,486 *	2,396	
Cat Financial lease purchase	75,235		9,113		66,122
Hancock Bank lease purchase	23,020		6,399		16,621
Note: Batson and Brown, Inc.	5,250		5,250		
Enterprise Fund Debt:					
Rural water system revenue bond	41,809		11,250		30,559
Capital improvement loan No. 357	191,543		24,823		166,720
Combined water and sewer system revenue bonds	131,127		3,373		127,754
Combined water and sewer system junior lien revenue bonds	1,035,996		20,215		1,015,781
Capital improvement loan No. 50731	433,433		17,933		415,500
First State Bank loan 00008512485000005	7,115		7,115		
Compensated absences payable - Governmental and Enterprise	6,521		1,105		5,416
<b>Total</b>	<b>\$ 2,472,756</b>	<b>0</b>	<b>169,082</b>	<b>2,396</b>	<b>2,301,278</b>

\* Note Discounted

**TOWN OF LEAKESVILLE**  
**Schedule of Surety Bonds for Municipal Officials and Employees**  
**September 30, 2017**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Joe Bullard	Alderman	Travelers	\$ 50,000
Carolyn C. Garretson	Alderman	Travelers	50,000
Jimmy Breland	Alderman	Travelers	50,000
Willie J. Burley	Alderman	Travelers	50,000
Karen Smith	Alderman	Travelers	50,000
George E. Perkins	Mayor	Travelers	50,000
Rex Garretson	Town Clerk	Travelers	50,000
Mary Washington	Deputy Clerk	Travelers	50,000
Debra Lankford	Court Clerk	Travelers	50,000
Shanteria Leverette	Water Billing Clerk	Travelers	50,000
Wendel Garris	Police Chief	Travelers	50,000
Marcus Pough	Police Officer	Travelers	25,000
William Seeger	Police Officer	Travelers	25,000
George Fountain	Police Officer	Travelers	25,000
Willie Hinton	Police Officer	Travelers	25,000
Bobby Fairley	Police Officer	Travelers	25,000



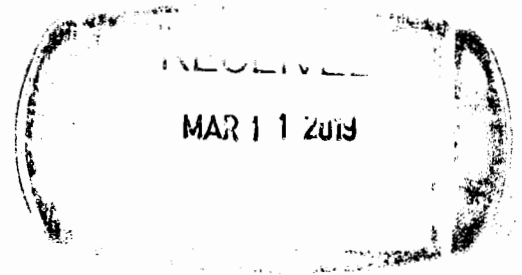
**TOWN OF LEAKESVILLE**  
**Schedule of Capital Assets**  
**For the Year Ended September 30, 2017**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets:				
Land	\$ 65,300			65,300
Buildings	263,763			263,763
Recreation improvements	699,406			699,406
Street improvements	217,257			217,257
Machinery, equipment and vehicles	<u>844,950</u>	<u>20,680</u>		<u>865,630</u>
Total Governmental Activities Capital Assets	<u>\$ 2,090,676</u>	<u>20,680</u>	<u>0</u>	<u>2,111,356</u>
<b>Business-type Activities</b>				
Capital Assets:				
Machinery, equipment and vehicles	\$ 68,408			68,408
Water tanks, treatment plants and lines	4,897,406			4,897,406
Water improvements	1,026,377			1,026,377
Sewer improvements	<u>2,398,182</u>			<u>2,398,182</u>
Total Business-type Activities Capital Assets	<u>\$ 8,390,373</u>	<u>0</u>	<u>0</u>	<u>8,390,373</u>



**TOWN OF LEAKESVILLE**

**SPECIAL REPORTS**



# Windham and Lacey, PLLC

*Certified Public Accountants*

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Mississippi Society of CPAs

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

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Leakesville, Mississippi

We have audited, in accordance with the 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, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 6, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Leakesville, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 17-001, 17-002 and 17-003 to be material weaknesses.

## Compliance and Other Matters

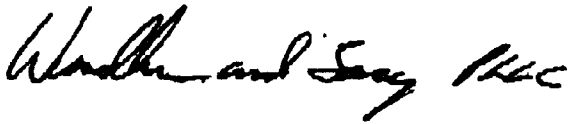
As part of obtaining reasonable assurance about whether the Town of Leakesville, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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*.

## Town's Response to Findings

The Town of Leakesville, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Leakesville, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.



Windham and Lacey, PLLC  
December 6, 2018

# 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 Leakesville, 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 the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2017, and have issued our report thereon dated December 6, 2018. 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.

The results of those procedures and our audit of the general purpose financial statements disclosed the following instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are as follows:

### Finding

State law Section 21-35-15, Miss. Code (Ann.) 1972, requires that governing authorities shall at all times keep within the annual revenues and cash reserves named in their said budget. The Town's expenditures exceeded its revenues and cash reserves of the General Fund for the fiscal year-end September 30, 2017.

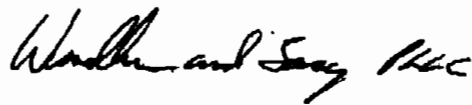
### Recommendation

The Town should follow state budget laws.

### Town's Response

The Town will follow state budget laws.

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.

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  
December 6, 2018

**TOWN OF LEAKESVILLE**

**SCHEDULE OF FINDINGS AND RESPONSES**

**TOWN OF LEAKESVILLE**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2017**

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?                                                        | Yes        |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                    | No         |

Section 2: Financial Statement Findings

*Finding 17-001.*

*Significant Deficiency - Material Weakness*

Receipts and disbursements should be recorded in the correct general ledger accounts in a timely manner. The Town's internal control over posting receipts and disbursements failed to detect and correct several instances of improper recording of receipts and disbursements in a timely manner which, collectively, were material to the financial statements.

*Recommendation*

Appropriate internal control procedures should be established to ensure that receipt and disbursement items are properly recorded.

*Town's Response*

In the future, the town will strengthen internal control over recording of receipts and disbursements.

*Finding 17-002.*

*Significant Deficiency - Material Weakness*

Bank reconciliation for all general ledger cash bank accounts should be reconciled monthly. The Town's internal control failed to ensure monthly bank reconciliations for all general ledger cash bank accounts which, collectively, were material to the financial statements.

*Recommendation*

Appropriate internal control procedures should be established to ensure that bank reconciliations for all general ledger cash bank accounts are reconciled monthly.

*Town's Response*

In the future, the town will strengthen internal control over monthly bank reconciliations of all general ledger cash bank accounts.

**TOWN OF LEAKESVILLE**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2017**

*Finding 17-003.*

*Significant Deficiency - Material Weakness*

The Board of Aldermen has not exercised sufficient oversight over expenditures to prevent overspending of available unrestricted cash. As a result, the Town has spent cash that is restricted for various reasons in order to pay its expenditures. This resulted in violations of debt covenants, restrictions on funds received for fire protection, and obligations to water customers.

*Recommendation*

The Board of Aldermen must exercise sufficient oversight of spending to prevent spending of restricted cash.

*Town's Response*

The Board of Aldermen will improve oversight over expenditures.