

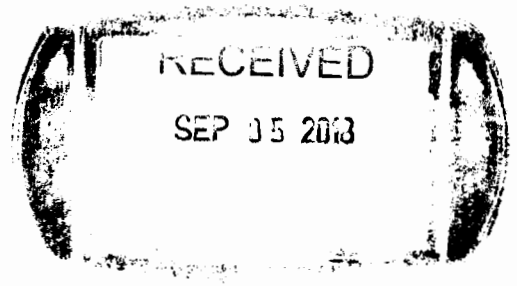


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Town of Walls, Mississippi

**Audited Financial Statements
For the Year Ended September 30, 2017**

Fortenberry & Ballard, P.C.
Certified Public Accountants



Town of Walls, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2017

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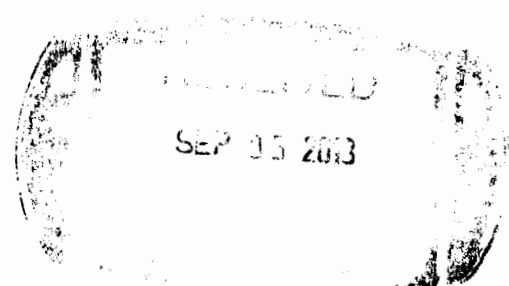
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Walls, Mississippi

Report on the Financial Statements

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities and business-type activities of the Town of Walls, Mississippi, (the Town) as of and for the year ended September 30, 2017, and the related notes to the financial statement, which collectively comprise the basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinions

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities of the Town of Walls, 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.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Town's basic financial statement. The Schedule of Capital Assets, Schedule of Changes in Long-term Debt, and the Schedule of Surety Bonds for Town Officials, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on them.

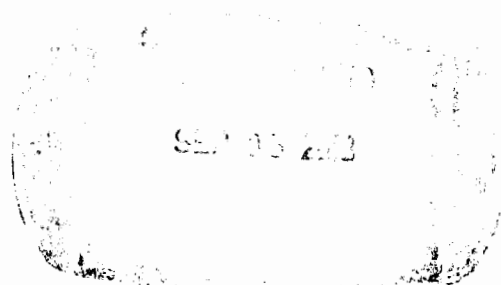
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018 on our consideration of Town of Walls, 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 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 Walls, Mississippi's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 7, 2018

Certified Public Accountants

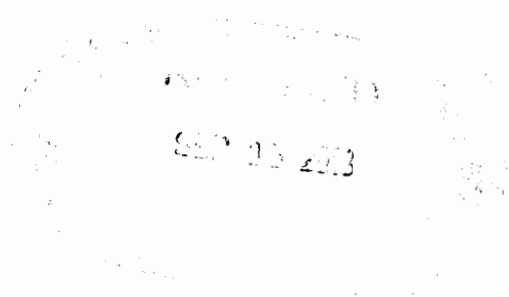


FINANCIAL STATEMENT

TOWN OF WALLS, MISSISSIPPI
Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2017

	Governmental Activities	Business-type Activities	
	General Fund	Utility Fund	Total
RECEIPTS			
Taxes			
General property taxes	\$ 378,897	\$	\$ 378,897
Licenses and permits	15,817		15,817
Intergovernmental revenues:			
General municipal aid	579		579
State shared revenues:			
Sales tax	92,022		92,022
Gasoline tax	21,134		21,134
Grand Gulf in lieu	8,249		8,249
Homestead Reimbursement	285		285
State Fire Rebate and Fire Protection	6,506		6,506
Police Training Reimbursement	8,548		8,548
DeSoto County	14,911		14,911
Charges for services			
Sewer Receipts	46,000	319,996	365,996
Fines and forfeitures	238,476		238,476
Franchise Tax - Utilities	28,403		28,403
Advertising Revenue	28,500		28,500
Donations Received	4,400		4,400
Miscellaneous Revenue	6,081	1,528	7,609
Total Receipts	<u>898,808</u>	<u>321,524</u>	<u>1,220,332</u>
DISBURSEMENTS			
General Government	338,186	2,086	340,272
Public Safety			
Police	335,791	303	336,094
Fire	107,233		107,233
Culture and Recreation			
Parks	4,230		4,230
Enterprise			
Sewer	1,930	263,607	265,537
Debt Service Payments	28,632		28,632
Total Disbursements	<u>816,002</u>	<u>265,996</u>	<u>1,081,998</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>82,806</u>	<u>55,528</u>	<u>138,334</u>
Cash Basis Fund Balance - Beginning	<u>3,607</u>	<u>762,403</u>	<u>766,010</u>
Cash Basis Fund Balance - Ending	<u>\$ 86,413</u>	<u>\$ 817,931</u>	<u>\$ 904,344</u>

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



Town of Walls, Mississippi

Notes to the Financial Statement
For the Year Ended September 30, 2017

Town of Walls, Mississippi

Notes to the Financial Statement
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The Town of Walls, Mississippi (the Town operates under a Mayor-Board of Aldermen form of government and provides services as authorized by law such as public safety (police and fire protection), sanitation, public improvements, and general administrative services. The Town's population as of the 2010 census was 1,162. The accounting policies of the Town of Walls, Mississippi conform to the laws of Mississippi for a municipality with a population of less than 3,000. The following is a summary of the more significant accounting policies.

A. FINANCIAL REPORTING ENTITY

These financial statement present all the funds of the Town. There are no outside organizations that should be included as component units of the Town's reporting entity.

B. BASIS OF PRESENTATION

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.

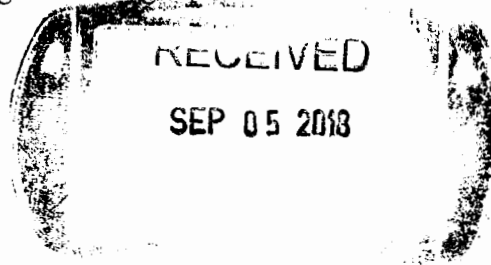
Fund Financial Statements

The Town segregated transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following governmental funds:

General Fund - is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

Enterprise Funds - is used to account for the provision of sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the sewer system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. This fund is also used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.



Town of Walls, Mississippi

Notes to the Financial Statement
For the Year Ended September 30, 2017

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus refers to what is being measure; basis of accounting refers to the point at which revenues or expenditures/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 financial statement is prepared on the cash basis, as prescribed by the Mississippi Office of the State Auditor. Consequently, certain receipts are recognized when received rather than earned, and certain disbursements are recognized when paid rather than when the obligation is incurred. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (OCBOA). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

D. BUDGETS AND BUDGETARY INFORMATION

The Town follows these procedures in establishing its budgetary data:

The Town Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the Town.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

2. RISK MANAGEMENT

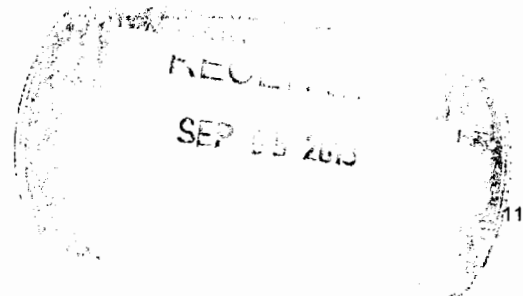
The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Town of Walls, Mississippi

Notes to the Financial Statement
For the Year Ended September 30, 2017

3. SUBSEQUENT EVENT

Events that occur after the date but before the financial statement is available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes. Management of the Town of Walls, Mississippi evaluated the activity of the Town through the date the financial statement was available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statement.



OTHER INFORMATION

Town of Walls, Mississippi
 Schedule of Capital Assets
 For the Year Ended September 30, 2017
 UNAUDITED

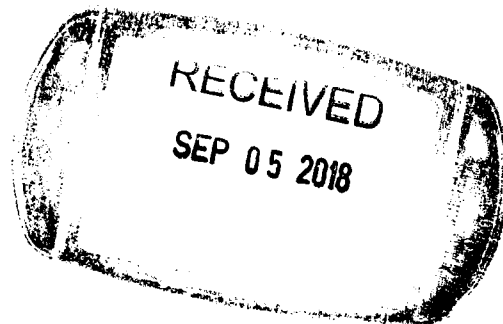
Schedule 1

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Land	\$ 20,000			20,000
Furniture and equipment	49,461			49,461
Leased property under capital leases	131,847			131,847
Total governmental activities capital assets	\$ 201,308	0	0	201,308

Business-type activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Infrastructure	\$ 85,000			85,000
Total business-type activities capital assets	\$ 85,000	0	0	85,000



Town of Walls, Mississippi
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2017
UNAUDITED

Schedule 2

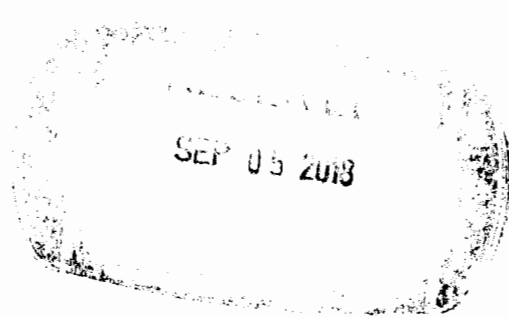
The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2016	Principal Payments	Balance Sept. 30, 2017
First Security Bank - Loan for Police Vehicles	2/18/2014	2/18/2019	3.20%	52,184	21,170	31,014
First Security Bank - Loan for Town Car	2/18/2014	2/18/2019	3.20%	14,167	5,731	8,436
Total				\$ 66,351	26,901	\$ 39,450

Town of Walls, Mississippi
 Schedule of Surety Bonds for Municipal Officials
 For the Year Ended September 30, 2017
 UNAUDITED

Schedule 3

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Patricia Denison	Mayor	MS Municipal Bond Program	\$ 50,000
Jennifer Doyle	Alderman	MS Municipal Bond Program	\$ 50,000
Jimmy Doyle	Alderman	MS Municipal Bond Program	\$ 50,000
Tammy Patrick	Alderman	MS Municipal Bond Program	\$ 50,000
Beverly Work	Alderman	MS Municipal Bond Program	\$ 50,000
Vicky Waddey	Alderman	MS Municipal Bond Program	\$ 50,000
Jennifer Henson	Alderman	MS Municipal Bond Program	\$ 50,000
Calvin Farmer	Alderman	MS Municipal Bond Program	\$ 50,000
Leslie Burl McLemore	Alderman	MS Municipal Bond Program	\$ 50,000
Herb Brewer	Chief of Police	Travelers	\$ 50,000
Kathy Gordon	City Clerk	Old Republic Surety Company	\$ 50,000
Betty Williams	Court Clerk	Travelers	\$ 50,000
Donna Riales	Court Clerk	Travelers	\$ 50,000
Chrissie Striplin	Court Clerk	Travelers	\$ 50,000
Individual Police Officer(s)	Police Officer	Travelers	\$ 25,000



SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
Town of Walls, 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 statement of cash receipts and disbursements of the governmental activities and business-type activities of the Town of Walls, Mississippi, (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statement and have issued our report thereon dated August 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town of Walls, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town of Walls, Mississippi'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. We did identify a certain deficiency in internal control, finding 2017-001, described in the accompanying Schedule of Findings and Responses that we consider to be a material weakness.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

SEP 05 2018

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Walls, Mississippi's financial statement is free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2017-001.

Town of Walls, Mississippi's Response to Finding

The Town of Walls, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Walls, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 7, 2018

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Aldermen
Town of Walls, Mississippi

We have audited the statement of cash receipts and disbursements of the Town of Walls, Mississippi (the Town) as of and for the year ended September 30, 2017 and have issued our report dated August 7, 2018. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*.

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. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of those procedures and our audit of the financial statement disclosed no material instances of noncompliance with state laws or regulations.

This report is intended solely for the information and use of the Town's 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 7, 2018

Certified Public Accountants

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

SCHEDULE OF FINDINGS AND RESPONSES

RECEIVED
SEP 05 2018

Town of Walls, Mississippi
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: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? No.
3. Noncompliance material to financial statements noted? Yes.

Section 2: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statement that is required to be reported by *Government Auditing Standards*.

Material Weaknesses and Noncompliance

Finding 2017-001:

The Town should establish controls to ensure accurate presentation of the financial statement.

Criteria:

An effective system of internal control over financial statement preparation and reporting should include adequate detail to document the collection of individual funds' balances and transactions. Included in this detail is:

- a. proper classification of receipts and disbursements,
- b. proper fund classification, and
- c. inclusion of all required disclosures in the notes to the financial statement.

Condition:

Amounts reported as cash on the financial statement were incorrect. As reported in the prior audit period, cash balance was overstated in the General Fund by \$119,461 and understated for the same amount in the Utility Fund.

Cause:

Three separate account postings were made in the prior audit period to the Utility Fund understating actual cash in this fund by \$119,461 conversely overstating General Fund cash balance by the same amount.

Effect / Possible Effect:

Overall, the net effect regarding the three items mentioned above materially misstates the actual cash position of both funds. Reconciled cash in the General Fund without the overstatement is \$205,874. Reconciled cash in the Utility Fund without the understatement is \$698,470. The corrected cash for both the General Fund and Utility Fund is \$86,413 and \$817,931 respectively accounting for the material misstatements. Failure to implement adequate controls over the financial statement preparation process could lead to misstated information provided not reflecting the true financial position of the Town.

Recommendation:

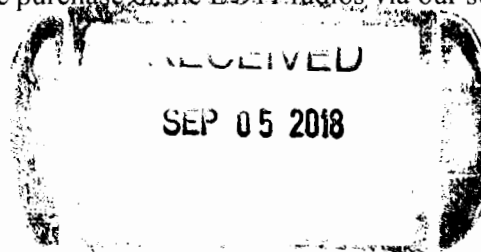
The Town should implement a system of internal controls over financial statement preparation and reporting that includes adequate detail to document individual funds' balances and transactions as well as adjustments to these balances and transactions, proper classification of funds, proper classification of receipts and disbursements, and the inclusion of all required disclosures in the notes to the financial statements. Also, the Town should make efforts to restore the actual cash balances for each fund by transferring \$119,461 from the General Fund to the Utility Fund to match audited cash position.

Response:

During the fiscal year ending September 30, 2016, two (2) separate transfers were made from the Utility Fund to the General Fund, one on November 25, 2015, totaling \$50,000, and one on January 21, 2016, totaling \$20,000. It is stated in the audit that these transfers were made without Board approval noted in the minutes. Although it was brought before the Board of Alderman there are no minutes to reflect such. No additional transfers of this kind have taken place in any fiscal year since the one ending September 30, 2016, policies are now in place so that if these transfers are to happen in the future, the Clerk and the Mayor will bring such transfers before the entire Board of Aldermen for review and it will be reflected in the minutes.

In addition, at the time it was the understanding of the City Clerk and the Mayor that the Utility Fund had excess funds as designated by Mississippi Code of 1972, Annotated, Section 21-27-61, and as such could be transferred.

During the fiscal year ending September 30, 2016, it was also noted that E-911 equipment was purchased on May 2, 2016, for \$49,461, that was paid from the utility Fund. However, the disbursement posting was made to the General Fund in the accounting records. It is our understanding that the Board minutes reflect the purchase of the E-911 radios via our surplus



balance in the Utility Fund, and the actual payment was made out of the Utility Fund account with a Utility Fund check as approved by the Board and reflected in the minutes. However, a bookkeeping error shows those funds going to the General Fund before first going to pay for the E-911 equipment, even though no actual funds were ever transferred between accounts.