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TOWN OF LIBERTY, MISSISSIPPI

**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi for the year ended September 30, 2016, and the related notes to the financial statement, which collectively comprise the Town's 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 financial statements that are free from material misstatement, whether due to error or fraud.

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.

Auditor's Responsibility - continued:

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

Opinions

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the governmental activities, business-type activities and each major fund of the Town of Liberty, Mississippi for the year ended September 30, 2016, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statement of the Town of Liberty, Mississippi. The schedules included in the supplementary information section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the 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.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
February 22, 2017

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TOWN OF LIBERTY, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	GOVERNMENTAL ACTIVITIES				Total
	General Fund	Debt Service Fund	Perpetual Care Fund	Vance Park Fund	
RECEIPTS:					
Taxes - Ad valorem	\$ 134,935	17,600	-	-	152,535
Penalties and interest on delinquent taxes	3,538	461	-	-	3,999
Franchise fees	22,191	-	-	-	22,191
Licenses and permits	4,542	-	-	-	4,542
Intergovernmental revenues	437,640	1,472	-	-	439,112
Charges for services:					
Sanitation	52,494	-	-	-	52,494
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Fines and forfeits	71,718	-	-	-	71,718
Interest	159	42	254	2	457
Other	39,286	-	-	-	39,286
Total receipts	<u>766,503</u>	<u>19,575</u>	<u>254</u>	<u>2</u>	<u>786,334</u>
DISBURSEMENTS:					
General government	230,869	-	-	-	230,869
Public safety	251,560	-	-	-	251,560
Court	30,134	-	-	-	30,134
Highways and streets	226,017	-	-	-	226,017
Sanitation	45,300	-	-	-	45,300
Culture and recreation	94,284	-	-	-	94,284
Enterprises:					
Water and sewer	-	-	-	-	-
Natural gas	-	-	-	-	-
Debt service:					
Principal	-	10,471	-	-	10,471
Interest and other fiscal charges	-	1,742	-	-	1,742
Total disbursements	<u>878,164</u>	<u>12,213</u>	<u>-</u>	<u>-</u>	<u>890,377</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(111,661)</u>	<u>7,362</u>	<u>254</u>	<u>2</u>	<u>(104,043)</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES		
Water & Sewer Fund	Natural Gas Fund	Total
-	-	-
-	-	-
-	-	-
-	-	-
296,772	-	296,772
-	-	-
209,557	-	209,557
-	155,570	155,570
-	-	-
362	316	678
4,832	-	4,832
<u>511,523</u>	<u>155,886</u>	<u>667,409</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
524,855	-	524,855
-	171,155	171,155
-	-	-
-	-	-
<u>524,855</u>	<u>171,155</u>	<u>696,010</u>
<u>(13,332)</u>	<u>(15,269)</u>	<u>(28,601)</u>

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TOWN OF LIBERTY, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENTAL ACTIVITIES					
	General Fund	Debt Service Fund	Perpetual Care Fund	Vance Park Fund	Total
OTHER CASH SOURCE (USES):					
Interfund loans and transfers	\$ 5,823	(5,143)	-	-	680
Utility deposits - net	-	-	-	-	-
Total other cash sources (uses)	<u>5,823</u>	<u>(5,143)</u>	<u>-</u>	<u>-</u>	<u>680</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	(105,838)	2,219	254	2	(103,363)
CASH BASIS FUND BALANCE -					
Beginning of year	<u>241,497</u>	<u>80,872</u>	<u>74,278</u>	<u>2,497</u>	<u>399,144</u>
CASH BASIS FUND BALANCE -					
End of year	<u>\$ 135,659</u>	<u>83,091</u>	<u>74,532</u>	<u>2,499</u>	<u>295,781</u>

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE
ACTIVITIES**

Water & Sewer Fund	Natural Gas Fund	Total
(1,341)	661	(680)
<u>1,995</u>	<u>561</u>	<u>2,556</u>
<u>654</u>	<u>1,222</u>	<u>1,876</u>
(12,678)	(14,047)	(26,725)
<u>282,201</u>	<u>357,533</u>	<u>639,734</u>
<u><u>269,523</u></u>	<u><u>343,486</u></u>	<u><u>613,009</u></u>

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Liberty, Mississippi (the Town) was incorporated in 1809. The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

A. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statement is reported using the cash basis of accounting as permitted by the Mississippi Office of the State Auditor, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received rather than when earned and susceptible to accrual and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

Governmental Activities

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The **Perpetual Care Fund** is used to account for the proceeds legally restricted to expenditures related to cemetery maintenance.

The **Vance Park Fund** is used to account for the proceeds legally restricted to expenditures related to the maintenance of Vance Park.

Business-Type Activities

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.

The **Natural Gas Fund** accounts for the activities of providing natural gas services to citizens of the Town.

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

A. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

When both restricted and unrestricted cash is available for use, it is the Town's policy to use restricted cash first, then unrestricted cash as it is needed.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi Legislature and is governed by Section 27-105-5, Mississippi 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 a 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.

The composition of the Town's cash and certificates of deposit is as follows at September 30, 2016:

	<u>Unrestricted Cash</u>	<u>Restricted Cash</u>	<u>Unrestricted Certificates of Deposit</u>	<u>Restricted Certificates of Deposit</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 109,236	26,423	-	-	135,659
Debt Service Fund	-	83,091	-	-	83,091
Perpetual Care Fund	-	545	-	73,987	74,532
Vance Park Fund	-	2,499	-	-	2,499
Total governmental activities	<u>109,236</u>	<u>112,558</u>	<u>-</u>	<u>73,987</u>	<u>295,781</u>
Business-type activities:					
Water and Sewer Fund	183,532	40,048	45,943	-	269,523
Natural Gas Fund	<u>296,252</u>	<u>14,930</u>	<u>32,304</u>	<u>-</u>	<u>343,486</u>
Total business-type activities	<u>479,784</u>	<u>54,978</u>	<u>78,247</u>	<u>-</u>	<u>613,009</u>
Government-wide total	<u>\$ 589,020</u>	<u>167,536</u>	<u>78,247</u>	<u>73,987</u>	<u>908,790</u>

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

Deposits at September 30, 2016 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 756,556	776,255
Certificates of deposit	<u>152,234</u>	<u>152,234</u>
Total deposits	\$ <u>908,790</u>	<u>928,489</u>

The difference of \$19,699 was principally due to outstanding checks. Of the bank balance, \$634,794 was covered by Federal depository insurance.

Custodial Credit Risk-Deposits. 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. As of September 30, 2016, \$293,695 of the Town's bank balance of \$928,489 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds Guaranty Pool	\$ <u>293,695</u>
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Interest Rate Risk. The Town does not have a formal investment policy that limits investment 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.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had no investments as of September 30, 2016.

TOWN OF LIBERTY, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016**

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2016, the Town had no investments.

Following is a list of the Town's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer, bonds or direct obligations of the following:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

NOTE 3 - DEBT SERVICE

As of September 30, 2016, annual debt service requirements of the governmental activities to maturity are as follows:

Fiscal Year Ended September 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 10,821	1,393
2018	11,151	1,064
2019	11,490	724
2020	11,839	375
2021	<u>5,353</u>	<u>53</u>
	\$ <u>50,654</u>	<u>3,609</u>

TOWN OF LIBERTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT SEPTEMBER 30, 2016

NOTE 4 - PROPERTY TAX

Property taxes for fiscal year 2016 were levied in September 2015 on the assessed valuation of property located in the Town of Liberty, Mississippi as of the preceding January 1, the lien date. The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Amite County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2016 were approximately 96% of the total tax levy.

The tax rate levied by the Town for fiscal year 2016 was set at 26 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 2.30
Debt Service Fund	<u>0.30</u>
	\$ <u>2.60</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

General information about the Pension Plan

Plan Description

The Town of Liberty, 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, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of

TOWN OF LIBERTY, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016**

NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General information about the Pension Plan - continued:

Benefits Provided - continued:

Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011), are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provisions that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2016, the Town's total payroll for all employees was \$391,982. Total covered payroll was \$360,575. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016

NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General information about the Pension Plan - continued:

Contributions

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 rate for the year ended September 30, 2015 was 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 contribution to PERS for the years ended September 30, 2016, 2015, and 2014 were \$56,791, \$54,261 and \$50,366, respectively, equal to the required contributions for each year.

NOTE 6 - INTERFUND LOANS AND TRANSFERS

Interfund loans and transfers during the year were as follows:

<u>Type</u>	<u>To</u>	<u>From</u>	<u>Amount</u>
Loan	General Fund	Water & Sewer Fund	\$ 938
Loan	General Fund	Debt Service Fund	5,143
Loan	Natural Gas Fund	General Fund	258
Loan	Natural Gas Fund	Water & Sewer Fund	403

The above interfund loans and transfers are necessary to move funds collected in one fund to another fund in accordance with the Town's annual budget.

NOTE 7 - CONTINGENCIES

Federal Grants

In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

TOWN OF LIBERTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2016

NOTE 8 - 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 risks of loss other than workers' compensation and liability. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The Town pays premiums to the pool quarterly for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for losses incurred by the pool.

The Town is a member of the Mississippi Municipal Liability Plan, a public entity risk pool. The Mississippi Municipal Liability Plan covers liability claims against its members and is funded through member contributions. The Town has not had an additional assessment for excess losses.

NOTE 9 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statement through February 22, 2017, the date the financial statement was approved by the Town's management and thereby available to be released.

SUPPLEMENTARY INFORMATION

SCHEDULE I**TOWN OF LIBERTY, MISSISSIPPI****SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2016**

	<u>Deposit Amount</u>
Certificate of Deposit with Trustmark National Bank, Maturing January 22, 2017, Rate .45%	\$ 34,436
Certificate of Deposit with First Bank, Maturing May 1, 2017, Rate .50%	32,304
Certificate of Deposit with First Bank, Maturing August 9, 2017, Rate .50%	39,551
Certificate of Deposit with First Bank, Maturing May 1, 2017, Rate .50%	<u>45,943</u>
	\$ <u>152,234</u>
Fund Recap:	
Perpetual Care Fund	\$ 73,987
Water and Sewer Fund	45,943
Natural Gas Fund	<u>32,304</u>
	\$ <u>152,234</u>

SCHEDULE II**TOWN OF LIBERTY, MISSISSIPPI****SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2016**

Balance Outstanding October 1, 2015	Issued	Redeemed	Balance Outstanding September 30, 2016
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NOTES:

Capital Improvement Loan through Mississippi Department of Economic Development due in monthly installments of \$1,018 for a period of 15 years at 3.00% interest, maturing March 1, 2021.

\$	<u>61,125</u>	<u>-</u>	<u>(10,471)</u>	<u>50,654</u>
Total	\$ <u>61,125</u>	<u>-</u>	<u>(10,471)</u>	<u>50,654</u>

SCHEDULE III**TOWN OF LIBERTY, MISSISSIPPI****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Charlie Brister	Aldersperson	Scott Insurance	\$10,000
J. Walt Gaston	Aldersperson	Scott Insurance	10,000
John Morgan III	Aldersperson	Scott Insurance	10,000
Lenora Morgan	Aldersperson	Scott Insurance	10,000
Pat Talbert	Aldersperson	Scott Insurance	10,000
Richard Stratton	Mayor	Brierfield	50,000
Shawn Felder	Town Clerk	Western Surety	50,000
Shawn Felder	Tax Collector	Western Surety	10,000
Sandra Wall	Deputy Clerk	Old Republic	50,000
Bradley Bellipanni	Chief of Police	Brierfield	50,000
Edwin Schwing	Police Officer	Brierfield	25,000
Shawn Umbrello	Police Officer	Brierfield	25,000

SCHEDULE IV**TOWN OF LIBERTY, MISSISSIPPI****SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements / Reclassifications</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets:				
Land	\$ 357,527	-	-	357,527
Building and improvements	545,438	10,438	-	555,876
Vehicles and machinery	774,919	8,625	-	783,544
Infrastructure	288,028	-	199,794	487,822
Construction in progress	<u>5,445</u>	<u>194,349</u>	<u>(199,794)</u>	<u>-</u>
 Total governmental activities capital assets	 \$ <u>1,971,357</u>	 <u>213,412</u>	 <u>-</u>	 <u>2,184,769</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets:				
Vehicles and machinery	\$ 318,909	-	-	318,909
Water distribution system	1,143,836	-	376,973	1,520,809
Gas distribution system	185,450	-	-	185,450
Construction in progress	<u>80,201</u>	<u>296,772</u>	<u>(376,973)</u>	<u>-</u>
 Total business-type activities capital assets	 \$ <u>1,728,396</u>	 <u>296,772</u>	 <u>-</u>	 <u>2,025,168</u>

STATE COMPLIANCE SECTION



CPAs & Advisors

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

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi as of and for the year ended September 30, 2016, and have issued our report thereon dated February 22, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Mississippi 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 of the governmental activities, the business-type activities, and each major fund disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of Liberty, Mississippi's management, Honorable Mayor and Board of Alderpersons, and the Mississippi 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.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
February 22, 2017

February 22, 2017

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Liberty, Mississippi are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the

Significant Audit Findings - continued:

Corrected and Uncorrected Misstatements - continued:

appropriate level of management. See the attached list of proposed adjustments for misstatements detected as a result of our audit procedures. Management has corrected all misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 22, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the schedules included in the supplementary information section, which accompany the financial statements but are not RSI. 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 it.

To the Honorable Mayor and Board of Alderpersons
February 22, 2017
Page Three

Restriction on Use

This information is intended solely for the use of the Honorable Mayor and Board of Alderpersons and management of the Town of Liberty, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Haddox Reid Eubank Bells PLLC

Jackson, Mississippi

Client: 05245 - Town of Liberty, Mississippi
Engagement: FY 2016 - Town of Liberty, Mississippi
Period Ending: 9/30/2016
Trial Balance: 1400 - General Fund Database
Workpaper: 1500 - General Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to correct PY entries posted by client.				
1001012	Grant Fund		2.00	
1200002	Accounts Receivable		5,121.00	
1001014	Grant Fund			1.00
1001190	Fund Balance-General Fund			1.00
1200000	Account Receivable			5,121.00
Total			5,123.00	5,123.00
Adjusting Journal Entries JE # 2				
To adjust auto property taxes received to correct account.				
1001201	(Auto) Personal Property Taxes		174.25	
1001271	Pro rata County Road Tax		6,913.62	
1001201	(Auto) Personal Property Taxes			6,913.62
1001271	Pro rata County Road Tax			174.25
Total			7,087.87	7,087.87
Adjusting Journal Entries JE # 3				
To properly allocate current year tax collections according to millage rate.				
1001200	(Land) Real Property Taxes		315.28	
1001201	(Auto) Personal Property Taxes		1,755.08	
1001203	Prior Year Taxes - Real		1,305.42	
1001204	Prior Year Taxes - Personal		38.79	
1001207	Penalties & Interest On Taxes		415.08	
1001251	Homestead Exempt. Reimbursement		1,472.32	
1001095	Due to Debt Service Fund			5,142.76
1001202	(Busi) Personal Property Taxes			157.21
Total			5,299.97	5,299.97
Adjusting Journal Entries JE # 4				
Entry to correct entry posted by client related to towns share of SMLPCP project cost.				
1001344	Miscellaneous Revenues		49,000.00	
1001096	Due to (from) Gen Rev			49,000.00
Total			49,000.00	49,000.00
Adjusting Journal Entries JE # 5				
Entry to correct post related to the 2015 fire rebate funds being moved to cash account.				
1001096	Due to (from) Gen Rev		3,838.97	
1001262	Fire Protection			3,838.97
Total			3,838.97	3,838.97
Total Adjusting Journal Entries			70,349.81	70,349.81
Total All Journal Entries			70,349.81	70,349.81

Client: 05245 - Town of Liberty, Mississippi
Engagement: FY 2016 - Town of Liberty, Mississippi
Period Ending: 9/30/2016
Trial Balance: 1400.01 - Debt Service Fund Database
Workpaper: 1500.01 - Debt Service Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to adjust principal and interest on loans per confirmation.				
2001810	Interest Paid		31.44	
2001801	CAP Loan			31.44
Total			31.44	31.44
Adjusting Journal Entries JE # 2				
To properly allocate taxes based on millage rate.				
2001095	Due from General Fund		5,142.76	
2001202	(Bus)Personal Property Taxes		157.21	
2001200	(Land)Real Property Taxes			315.28
2001203	(Auto)Personal Property Taxes			1,755.08
2001204	Prior Year Taxes-Real			1,305.42
2001205	Prior Year Taxes - Personal			36.79
2001207	Penalties and Interest on Taxes			415.08
2001251	Homestead Exempt Reimbursement			1,472.32
Total			5,299.97	5,299.97
Total Adjusting Journal Entries			5,331.41	5,331.41
Total All Journal Entries			5,331.41	5,331.41

Client: 05245 - Town of Liberty, Mississippi
Engagement: FY 2016 - Town of Liberty, Mississippi
Period Ending: 9/30/2016
Trial Balance: 1400.02 - Water and Sewer Fund Database
Workpaper: 1500.02 - Water and Sewer Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 1

To adjust transfer to correct account.

4001100	Accounts Payable		1,314.52	
4001091	Due from (to) WSF - GF			1,314.52
Total			<u>1,314.52</u>	<u>1,314.52</u>

Adjusting Journal Entries JE # 2

To adjust for insurance expenses paid by GF, but not recorded in W&S.

4001475	Employee Group Insurance		2,661.96	
4001475	Employee Group Insurance		3,132.63	
4001091	Due from (to) WSF - GF			2,661.96
4001091	Due from (to) WSF - GF			3,132.63
Total			<u>5,794.59</u>	<u>5,794.59</u>

Adjusting Journal Entries JE # 3

To adjust for water sales tax collected by the Gas fund but not recorded by W&S.

4001092	Due to (from) WSF - Gas Rev		415.09	
4001360	Water Sales			415.09
Total			<u>415.09</u>	<u>415.09</u>

Adjusting Journal Entries JE # 4

To adjust DTF to actual at 9-30-16.

4001093	Due from (to) payroll fund		509.08	
4001373	Misc. Revenue			509.08
Total			<u>509.08</u>	<u>509.08</u>

Adjusting Journal Entries JE # 5

To reclass restricted cash for change in meter deposits.

4001090	Restricted Cash - Water		1,995.00	
4001009	Less Restricted Cash - Water			1,995.00
Total			<u>1,995.00</u>	<u>1,995.00</u>

Client: 05245 - Town of Liberty, Mississippi
Engagement: FY 2016 - Town of Liberty, Mississippi
Period Ending: 9/30/2016
Trial Balance: 1400.03 - Natural Gas Fund Database
Workpaper: 1500.03 - Natural Gas Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 1

Entry necessary to roll forward fund balance.

5001191	Retained Earn - Unrestricted(G)		25.00	
5001002	Gas Revenue - Checking			25.00
Total			<u>25.00</u>	<u>25.00</u>

Adjusting Journal Entries JE # 2

To post insurance expense paid by GF, but not recorded in the Gas fund.

5001475	Employee Group Insurance		5,625.90	
5001092	Due from (to) NGF - GF			5,625.90
Total			<u>5,625.90</u>	<u>5,625.90</u>

Adjusting Journal Entries JE # 3

To update restricted cash for change in meter deposits.

5001090	Restricted Cash - Gas		560.00	
5001009	Less Restricted Cash - Gas			560.00
Total			<u>560.00</u>	<u>560.00</u>

Client: 05245 - Town of Liberty, Mississippi
 Engagement: FY 2016 - Town of Liberty, Mississippi
 Period Ending: 9/30/2016
 Trial Balance: 1400.04 - Perpetual Care Fund Database
 Workpaper: 1500.04 - Perpetual Care Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 1

To post interest earned on CD.

6001003	Perpetual Care CD - 1-Trustmark		154.73	
6001340	Interest			154.73
Total			<u>154.73</u>	<u>154.73</u>

Client: 05245 - Town of Liberty, Mississippi
Engagement: FY 2016 - Town of Liberty, Mississippi
Period Ending: 9/30/2016
Trial Balance: 1400.06 - Payroll Clearing Fund Database
Workpaper: 1500.06 - Payroll Clearing Fund - AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 1

To properly reverse payroll transfers for FY 2016.

1001155	Payroll Transfers in		475,674.66	
1001340	Interest Earned		23.77	
1010470	FICA Taxes		407.81	
1010475	Employee Group Insurance		253.56	
1100636	Janitorial		100.00	
1160470	FICA Taxes		9.56	
1303470	FICA taxes		17.21	
1001091	Due from (to) GF - WSF			509.08
1010400	Salary - Mayor			25,666.63
1010410	Salaries - Alderman			16,500.00
1010420	Salary - Town Clerk			34,123.96
1010440	Salary - Town Attorney			11,300.00
1010450	Salary - Town Judge			7,627.50
1010460	State Retirement			19,696.90
1010490	FICA Expense - All funds			24,240.28
1010492	Medicare Expense - All funds			5,669.14
1010494	State Retirement - All Funds			5,128.06
1010495	System Payroll Expenses			75,061.05
1010500	Office supplies			121.38
1100430	Salaries Full Time			107,609.89
1100440	Salaries - Part Time			16,883.90
1100460	State Retirement			19,834.08
1160430	Fire Chief			1,375.00
1160440	Volunteers			520.00
1200430	Salary			1,225.00
1301460	State Retirement			3,530.80
1303430	Salary			1,475.00
4001430	Salary			36,861.00
4001460	State Retirement			9,138.74
5001430	Salary			52,389.18
Total			<u>476,486.57</u>	<u>476,486.57</u>

To the Honorable Mayor and Board of Alderpersons
Town of Liberty
Liberty, Mississippi

In planning and performing our audit of the financial statement of the governmental activities, the business-type activities, and each major fund of the Town of Liberty, Mississippi for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Liberty, Mississippi's internal control over financial reporting (internal control) as a basis for designing 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 Liberty, Mississippi's internal control. Accordingly we do not express an opinion on the effectiveness of the Town of Liberty, Mississippi's internal control.

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 discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 did not identify any deficiencies in internal control that we considered to be a material weakness.

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. We consider the following deficiency in the Town of Liberty, Mississippi's internal control to be a significant deficiency:

Due to the limited number of people working in the office, many critical duties are combined and given to available employees. Presently, a single individual

prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible. We feel segregation could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.

This communication is intended solely for the information and use of management, the Mayor and Board of Alderpersons, and others within the Town of Liberty, Mississippi, and is not intended to be and should not be used by anyone other than these specified parties.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
February 22, 2017