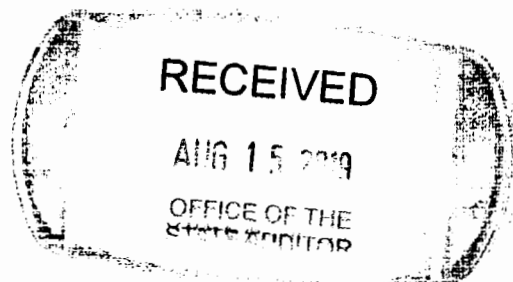




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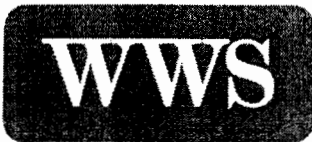
Town of Ecu, Mississippi
Compilation Report and Report on Agreed-upon Procedures
September 30, 2017



Town of Ecu, Mississippi

Contents

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



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities of the Town of Ecu, Mississippi for the year ended September 30, 2017, and the related notes to financial statement, which collectively comprise the Town's basic financial statements as listed in the contents, in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the Statement of Cash Receipts and Disbursements—Governmental and Business-type Activities.

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

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

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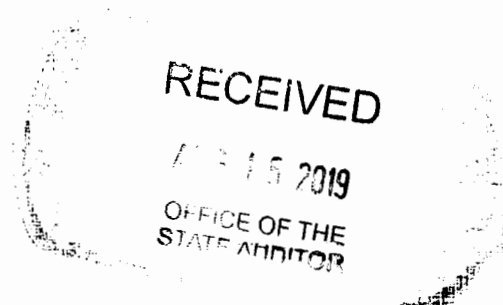
Other Information

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

In accordance with the provisions of §21-35-31, Miss Code Ann. (1972), we have issued a report dated July 12, 2019 on the results of our agreed-upon procedures.

Pontotoc, Mississippi
July 12, 2019

Watkins Ward and Stafford, PLLC



Town of Ecu, Mississippi
Statement of Cash Receipts and Disbursements-
Governmental and Business-type Activities
For the Year Ended September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
	<u>General</u>	<u>Water & Sewer</u>	<u>Total</u>
Cash Receipts			
General Property Taxes	\$ 244,933	-	244,933
In Lieu of Taxes	33,550	-	33,550
License and Permits			
Privilege License	20	-	20
Building Permits	35	-	35
Franchise Tax	19,948	-	19,948
Intergovernmental Revenue:			
State Shared Revenues:			
Sales Tax	141,717	-	141,717
Gasoline Tax	2,685	-	2,685
General Municipal Aid	446	-	446
Fire Insurance Premium Tax Distribution	5,011	-	5,011
Federal Shared Revenues:			
Community Development Block Grant	50,700	-	50,700
Charges for Services:			
Sanitation	31,936	-	31,936
Water and Sewer		405,884	405,884
Other Receipts:			
County Fire Support	10,000	-	10,000
Fines	60,278	-	60,278
Miscellaneous	17,145	-	17,145
Seized Funds	60	-	60
Interest Income	200	-	200
Cemetery Lots & Donations	7,153	-	7,153
Park Revenues & Donations	3,515	-	3,515
TOTAL CASH RECEIPTS	<u>\$ 629,332</u>	<u>405,884</u>	<u>1,035,216</u>
DISBURSEMENTS:			
General government	\$ 202,718	-	202,718
Public Safety:			
Police	178,223	-	178,223
Fire	9,047	-	9,047
Maintenance of Public Property	25,268	-	25,268
Recreation	1,824	-	1,824
Sanitation	47,419	-	47,419
Water & Sewer		394,156	394,156
Redemption of Principal	60,062	53,661	113,723
Debt Service Interest	1,087	15,927	17,015
TOTAL DISBURSEMENTS	<u>\$ 525,648</u>	<u>463,745</u>	<u>989,393</u>

See accompanying notes and independent accountants' compilation report.

Town of Ecu, Mississippi
Statement of Cash Receipts and Disbursements-
Governmental and Business-type Activities
For the Year Ended September 30, 2017

	Governmental Activities <u>General</u>	Business-type Activities <u>Water</u>	<u>Total</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER DISBURSEMENTS	\$ 103,684	(57,860)	45,824
OTHER FINANCING SOURCES (USES)			
Proceeds of loans	-	25,417	25,417
Payroll Withholding	(1,982)	-	(1,982)
Transfers	(37,453)	37,453	-
TOTAL OTHER FINANCING SOURCES (USES)	(39,435)	62,870	23,435
EXCESS(DEFICIENCY) OF CASH RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	64,249	5,010	69,259
CASH BALANCE-BEGINNING	108,815	(11,543)	97,272
CASH BALANCE-ENDING	\$ 173,064	(6,533)	166,531

See accompanying notes and independent accountants' compilation report.

TOWN OF ECRU, MISSISSIPPI NOTES TO FINANCIAL STATEMENT

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Fund Accounting

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

Governmental Funds:

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

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

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

Proprietary Funds:

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

Basis of Accounting

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

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

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

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

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

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

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

Note 2: Report Classifications

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

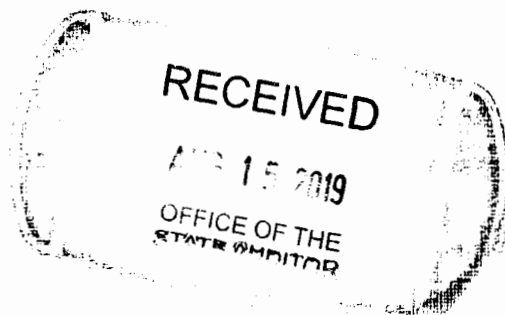
Note 3: Result of Investigation

On September 12, 2017, as the result of an investigation by the Mississippi Office of the State Auditor, the former City Clerk and former Chief of Police were arrested and charged with embezzlement. The OSA Investigative Division issued demands of \$393,085.26, which includes interest and investigative costs. No amounts have been paid by the individuals and no adjustments have been made to the financials to include any possible collections.

Note 4: Subsequent Events

Events that occurred after the Statement of Cash Receipts and Disbursements 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 at the Statement of Cash Receipts and Disbursements date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the Statement of Cash Receipts and Disbursements date require disclosure in the accompanying notes. Management of the Town of Ecrú evaluated the activity of the municipality through July 12, 2019, (the date the financial statement was available to be issued), and determined that no subsequent events had occurred that would require disclosure in the notes to financial statement.

SUPPLEMENTARY INFORMATION



TOWN OF ECRU, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2017

Definition & Purpose	Balance	Transactions During Fiscal Year		Balance
	Outstanding October 1, 2016	Issued	Redeemed	Outstanding September 30, 2017
General Fund:				
Note Payable First Choice Bank	\$ 2,634		2,634	-
Note Payable Three Rivers	79,494		49,917	29,577
Note Payable First Choice Bank	10,145		10,145	-
Water & Sewer:				
Note Payable Rural Development	153,779		22,869	130,910
Note Payable First Choice Bank	17,929		17,929	-
Note Payable First Choice Bank		25,417	4,740	20,677
Note Payable MDA	98,104		8,123	89,981
Totals	\$ 362,085	25,417	116,357	271,145

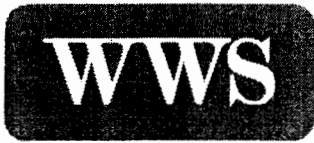
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See accompanying notes and independent accountants' compilation report

TOWN OF ECRU
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2017

Name	Position	Company	Bond
Donald Andrews	Alderman	Old Republic Surety	\$50,000
Richie Turner	Alderman	Old Republic Surety	\$50,000
Gloria High	Alderman	Old Republic Surety	\$50,000
James Speck	Alderman	Old Republic Surety	\$50,000
Allison Richardson	Alderman	Old Republic Surety	\$50,000
Jeff Smith	Mayor	Old Republic Surety	\$50,000
Mitzi Stokes	City Clerk	Old Republic Surety	\$50,000
Mitzi Stokes	Court Clerk	Old Republic Surety	\$50,000
Lisa Holcomb	Deputy City Clerk	Old Republic Surety	\$50,000
Lisa Holcomb	Deputy Court Clerk	Old Republic Surety	\$50,000
Matthew Stringer	Police Chief	Old Republic Surety	\$50,000
Michael Martin	Utility Clerk	Old Republic Surety	\$50,000

See accompanying notes and independent accountants' compilation report



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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have compiled the accompanying Statement of Cash Receipts and Disbursements – Governmental and Business-type Activities, Schedule of Long-Term Debt and Schedule of Surety Bonds for Municipal Officials of the Town of Ecu, Mississippi, for the year ended September 30, 2017, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

We have performed procedures to test compliance with certain state laws and regulations as described in the Municipal Compliance Questionnaire that is prescribed by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the town's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our compilation of the accompanying Statement of Cash Receipts and Disbursements–Governmental and Business-type Activities, Schedule of Long-Term Debt and Schedule of Surety Bonds for Municipal Officials of the Town of Ecu, Mississippi, for the year ended September 30, 2017, disclosed the following instances of noncompliance with state laws and regulations.

1. According to the instructions to the questionnaire in the Municipal Audit and Accounting Guide, the questionnaire and related certification must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting (October). The questionnaire for this fiscal year was not completed and certified until November, 2017.



2. The Town is not in compliance with Section 21-35-25 that requires the budget be amended by its regular July meeting when revenues were less than estimated and a deficit is anticipated.
3. The Town is not in compliance with Section 21-35-25 that requires the municipal clerk submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balance of each budget item.
4. The Town is not in compliance with Section 75-85-1 that requires transient vendor taxes be collected from all transient vendors within the municipality, except those exempted.
5. The Town is not in compliance with Section 17-07-348 that requires the municipality to publish an itemized report of all revenues, costs and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system.
6. The Town is not in compliance with Section 21-17-5 of the Municipal Audit and Accounting Guide which requires fixed assets to be properly accounted for. The Town does not maintain a fixed asset inventory listing, take a fixed asset inventory, nor tag fixed assets.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Pontotoc, Mississippi
July 12, 2019

Watkins Ward and Stafford, PLLC

Independent Accountants' Report on Applying Agreed-Upon Procedures

Town of Ecu, Mississippi

September 30, 2017





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

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

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor, to the accounting records of the Town of Ecu, Mississippi, solely to assist the Office of the State Auditor in evaluating the Town of Ecu, Mississippi's compliance with certain laws and regulations as of September 30, 2017, and for the year then ended. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor, State of Mississippi. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

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

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
First Choice Bank	General Fund	\$ 8,221
First Choice Bank	General Fund	82,926
First Choice Bank	General Fund	43,505
First Choice Bank	General Fund	299
First Choice Bank	General Fund	15,409
First Choice Bank	General Fund	16,964
First Choice Bank	General Fund	148
First Choice Bank	General Fund	4,869
First Choice Bank	General Fund	<u>723</u>
Total General Fund		<u>\$ 173,064</u>
First Choice Bank	Water & Sewer Fund	<u>\$ (6,533)</u>
Total Water & Sewer Fund		<u>\$ (6,533)</u>

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2) We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:

- a. Tax assessments, billings and collections are handled by the Pontotoc County's tax collector's office and remitted monthly to the Town of Ecu. The tax levy and the calculation of the distribution to the individual entities is audited extensively by the auditors of Pontotoc County; therefore, the accountants will not perform a reconciliation of the tax roll to collections and will rely on the work of the audited Pontotoc County tax roll.
- b. Traced distribution of taxes collected to proper funds

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

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

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

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

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sales Tax Allocation	General Fund	\$ 141,717
Homestead Reimbursement	General Fund	13,013
Fire Protection Allocation	General Fund	5,011
General Municipal Aid	General Fund	446
Gasoline Tax	General Fund	2,685
TVA - In Lieu of Tax	General Fund	27,698
MDA Utility Relocation	General Fund	50,700
Total		<u>\$ 241,269</u>

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

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The sample consisted of the following:

- a. Number of Sample Items 60
- b. Total Dollar Value of Sample \$ 51,065

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

- 5) We selected a sample of collection of fines and forfeitures and verified that the municipal court clerk had settled daily with the municipal clerk. We also selected a sample of state-imposed court assessments collected and determined that the municipal clerk had settled monthly with the Department of Finance and Administration.

We found the municipality to be in agreement with the requirements of the above mentioned sections except as follows.

The municipal clerk did not settle the state-imposed court assessments for the month of February until April, 18, 2017.

- 6) We have read the Municipal Compliance Questionnaire completed by the Town. Some responses to the questionnaire indicated noncompliance with state requirements and other responses to the questionnaire, which did not indicate noncompliance with state requirements, were found to be noncompliant with state requirements. The following are noncompliance with state requirements:

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

The Town is not in compliance with Section 21-35-2 that requires the budget be amended by its regular July meeting when revenues were less than estimated and a deficit is anticipated.

The Town is not in compliance with Section 21-35-25 that requires the municipal clerk submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balance of each budget item.

The Town is not in compliance with Section 75-85-1 that requires transient vendor taxes be collected from all transient vendors within the municipality, except those exempted.

The Town is not in compliance with Section 17-07-348 that requires the municipality to publish an itemized report of all revenues, costs and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system.

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The Town is not in compliance with Section 21-17-5 of the Municipal Audit and Accounting Guide which requires fixed assets to be properly accounted for. The Town does not maintain a fixed asset inventory listing, take a fixed asset inventory, nor tag fixed assets.

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

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

Pontotoc, Mississippi
July 12, 2019

Watkins Ward and Stafford, PLLC

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