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CPAs & Advisors

To the Honorable Mayor and Board of Councilpersons
Town of Summit
Summit, Mississippi

In planning and performing our audit of the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Summit, Mississippi for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Summit, 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 Summit, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Summit, 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 certain deficiencies in internal control that we consider to be material weaknesses and another deficiency 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 consider the following deficiencies in the Town of Summit's internal control to be material weaknesses:

The Town determined subsequent to fiscal year end that the cafeteria plan administered for Town employees from September 1, 2016 through January 4, 2018 did not meet the requirements of Section 125 of the Internal Revenue

Code which resulted in improperly excluding from employee's income amounts that should have been subject to income and employment taxes. The Town is currently working to amend the necessary W-2 forms for 2016 and 2017 to correct the amounts previously excluded from employee income in error. The Town is also currently working to file revised Form 941's for 2016 and 2017 and remit the additional payroll taxes due. We recommend the Town of Summit implement policies and procedures necessary to ensure that any future cafeteria plans administered by the Town meet the requirements of Section 125 of the Internal Revenue Code prior to approval.

Audit procedures identified material misstatements per the Town's accounting records as a result of the lack of controls over the review of journal entries and coding of receipts and disbursements. We recommend the Town of Summit implement policies and procedures to ensure proper review of journal entries and coding of receipts and disbursements.

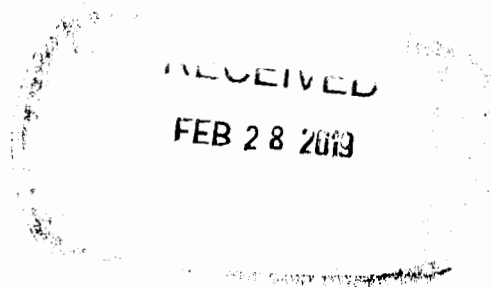
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

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 Councilpersons, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Haddox Reid Eubank Bells PLLC

Jackson, Mississippi
December 20, 2018





CPAs & Advisors

December 20, 2018

To the Honorable Mayor and Board of Councilpersons
Town of Summit
Summit, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Summit, Mississippi for the year ended September 30, 2017. 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 27, 2017. 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 Summit, 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 2017. 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.

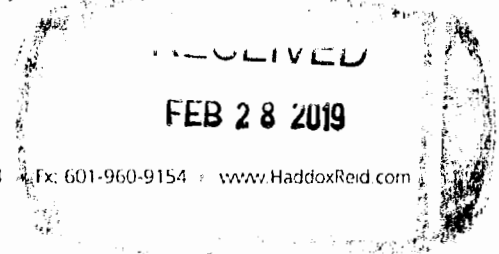
The financial statement disclosures are neutral, consistent, and clear.

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



To the Honorable Mayor and Board of Councilpersons
December 20, 2018
Page Two

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. The following material misstatements detected as a result of audit procedures were corrected by management:

General Fund - AJE's 5, 7, 8 and 11
Water and Sewer Fund - AJE's 4 and 11
Debt Service Fund - AJE's 1 and 2
Payroll Clearing Fund - AJE's 1 and 2

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 December 20, 2018.

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 detected one finding as a result of audit procedures related to compliance with state laws and regulations which related to the Town's Cafeteria Plan. The finding is discussed in our Independent Auditor's Report on Compliance with State Laws and Regulations.

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To the Honorable Mayor and Board of Councilpersons
December 20, 2018
Page Three

Other Audit Findings or Issues - continued:

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 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.

Restriction on Use

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

Very truly yours,

Haddon Reid Eubank Belts PLLC

Jackson, Mississippi

Client: 08240 - Town of Summit, Mississippi
 Engagement: FY 2017 - Town of Summit, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400 - General Fund Database
 Worksheet: 1500 - General Fund AJE Report

| Account | Description | W/P Ref | Debit | Credit |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|-------------------|-------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| To roll equity forward | | | | |
| 13500 | Fund Balance-undesignated | | 7.20 | |
| 11006 | Cash FB-Gen Fund savings | | | 7.20 |
| Total | | | <u>7.20</u> | <u>7.20</u> |
| Adjusting Journal Entries JE # 2 | | | | |
| To allocate debt services portion of homestead exemption based on the millage rate | | | | |
| 14208 | Homestead exemption revenue | | 3,490.23 | |
| 11190 | Due to/from Debt Service Fund | | | 3,490.23 |
| Total | | | <u>3,490.23</u> | <u>3,490.23</u> |
| Adjusting Journal Entries JE # 3 | | | | |
| To reclass transfer to capital projects from due to/from | | | | |
| 16090 | Transfers out | | 8,174.37 | |
| 11170 | Due to/from Capital Projects Fu | | | 8,174.37 |
| Total | | | <u>8,174.37</u> | <u>8,174.37</u> |
| Adjusting Journal Entries JE # 4 | | | | |
| To reverse prior year AJE #6 to adjust up to detail at 9-30-17 (Town of Summit Vendor). | | | | |
| 12000 | General Fund Accts Payable | | 3,476.19 | |
| 16403 | Salaries-Police Officers | | | 3,476.19 |
| Total | | | <u>3,476.19</u> | <u>3,476.19</u> |
| Adjusting Journal Entries JE # 5 | | | | |
| To properly remove deposit transfer posted to A/C 11002 in error as a result of homestead being deposited into WSF cash account on 3-3-1 and properly balance DTF account with WSF. (Client needs to clear item from o/s list per bank reconciliation). | | | | |
| 11180 | Due to/from Utility Fund | | 15,762.45 | |
| 11002 | Cash FB-general operations | | | 14,727.92 |
| 16460 | Feeding inmates - Police | | | 1,034.53 |
| Total | | | <u>15,762.45</u> | <u>15,762.45</u> |
| Adjusting Journal Entries JE # 6 | | | | |
| To properly record interest paid on Wells Fargo Lease Purchase during FY 2017. | | | | |
| 16902 | Debt Service - Interest | 5002 | 652.68 | |
| 16885 | Lease Payment (1/2 Tractor) | | | 652.68 |
| Total | | | <u>652.68</u> | <u>652.68</u> |
| Adjusting Journal Entries JE # 7 | | | | |
| To properly record 4-12-17 proceeds from Ford Motor Credit Lease Purchase agreement 8120403 during FY 2017. | | | | |
| 16490 | Capital outlay-police | 5002 | 27,163.00 | |
| 16950 | Loan Proceeds | | | 27,163.00 |
| Total | | | <u>27,163.00</u> | <u>27,163.00</u> |
| Adjusting Journal Entries JE # 8 | | | | |
| To properly record 7-31-17 proceeds from Ford Motor Lease Purchase agreement 8010404 | | | | |
| 16490 | Capital outlay-police | 5002 | 27,163.00 | |
| 16950 | Loan Proceeds | | | 27,163.00 |
| Total | | | <u>27,163.00</u> | <u>27,163.00</u> |
| Adjusting Journal Entries JE # 9 | | | | |
| To properly record principal payments made to Ford Motor Credit on the lease purchase agreements 8120403 and 8120404 on 4-12-17 and 7-31-17, respectively. | | | | |
| 16901 | Debt Service - Principal | 5002 | 7,507.58 | |
| 16490 | Capital outlay-police | | | 7,507.58 |
| Total | | | <u>7,507.58</u> | <u>7,507.58</u> |
| Adjusting Journal Entries JE # 10 | | | | |
| To adjust DTF for payroll clearing over accrual of liabilities at year end. | | | | |
| 11180 | Due to/from Payroll Account | | 6,316.98 | |
| 16403 | Salaries-Police Officers | | | 6,316.98 |
| Total | | | <u>6,316.98</u> | <u>6,316.98</u> |
| Adjusting Journal Entries JE # 11 | | | | |
| To record additional FICA owed to payroll fund due to cafeteria plan reversal (entry provided by Hal). | | | | |
| 16012 | FICA expense-administrative | 1811 / 1801 | 848.84 | |
| 16412 | FICA expense-police | | 5,067.09 | |
| 16812 | FICA expense-streets | | 1,631.06 | |
| 11160 | Due to/from Payroll Account | | | 7,546.99 |
| Total | | | <u>7,546.99</u> | <u>7,546.99</u> |
| Total Adjusting Journal Entries | | | <u>107,260.67</u> | <u>107,260.67</u> |

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Total All Journal Entries

107,200.67

107,200.67

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Client: 08240 - Town of Summit, Mississippi
Engagement: FY 2017 - Town of Summit, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.02 - Capital Projects Fund Database
Workpaper: 1500.02 - Capital Projects Fund - AJE Report

| Account | Description | W/P Ref | Debit | Credit |
|---------------------------------------------|--------------------------|---------|--------------|--------------|
| <hr/> | | | | |
| Adjusting Journal Entries JE # 2 | | 2002 | | |
| To adjust cash account for account closure. | | | | |
| 36999 | Misc Expense | | 43.73 | |
| 31001 | First Bank-USDA/RD Grant | | | 43.73 |
| Total | | | <u>43.73</u> | <u>43.73</u> |

Client: 08240 - Town of Summit, Mississippi
 Engagement: FY 2017 - Town of Summit, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.03 - Water and Sewer Fund Database
 Workpaper: 1500.03 - Water & Sewer Fund AJE Report

| Account | Description | W/P Ref | Debit | Credit |
|--------------------------------------------------------------------------------------------------|--------------------------------|-------------|------------------|------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| To rollforward beginning balances and equity | | | | |
| 43500 | Retained Earnings | | 2,158.98 | |
| 41008 | Cash FB Wtr & Sew savings | | | 361.10 |
| 48063 | Contract Services - W/S | | | 1,797.88 |
| Total | | | <u>2,158.98</u> | <u>2,158.98</u> |
| Adjusting Journal Entries JE # 2 | | | | |
| To adjust interest expense paid on loan 10-352-CP-01 | | | | |
| 47501 | Interest expense-W & S | | 8,656.92 | |
| 47999 | Debt Retirement | | | 8,656.92 |
| Total | | | <u>8,656.92</u> | <u>8,656.92</u> |
| Adjusting Journal Entries JE # 3 | | | | |
| To adjust interest expense for 28-057-08480001088 | | | | |
| 47501 | Interest expense-W & S | 5002 | 8,873.95 | |
| 47999 | Debt Retirement | | | 8,873.95 |
| Total | | | <u>8,873.95</u> | <u>8,873.95</u> |
| Adjusting Journal Entries JE # 4 | | | | |
| To adjust interest expense for loan SRF C260-753-02 | | | | |
| 47501 | Interest expense-W & S | 5002 | 20,218.36 | |
| 47999 | Debt Retirement | | | 20,218.36 |
| Total | | | <u>20,218.36</u> | <u>20,218.36</u> |
| Adjusting Journal Entries JE # 5 | | | | |
| To adjust interest expense for BancorpSouth - 2015 Bobcat | | | | |
| 47501 | Interest expense-W & S | | 1,101.23 | |
| 47999 | Debt Retirement | | | 1,101.23 |
| Total | | | <u>1,101.23</u> | <u>1,101.23</u> |
| Adjusting Journal Entries JE # 6 | | | | |
| To adjust BancorpSouth Equipment Vendor balance to actual per vendor balance detail in Qbooks. | | | | |
| 48051 | Repairs & maint-W & S vehicles | | 2,162.59 | |
| 42000 | W/S Accounts Payable | | | 2,162.59 |
| Total | | | <u>2,162.59</u> | <u>2,162.59</u> |
| Adjusting Journal Entries JE # 7 | | | | |
| To adjust Town of Summit vendor balance to actual in Qbooks (Vendor Balance detail). | | | | |
| 42000 | W/S Accounts Payable | | 2,728.42 | |
| 48051 | Repairs & maint-W & S vehicles | | | 2,728.42 |
| Total | | | <u>2,728.42</u> | <u>2,728.42</u> |
| Adjusting Journal Entries JE # 8 | | | | |
| To adjust MS Dev Authority vendor balance to actual at 9-30-17 (Vendor Balance Summary for a/p). | | | | |
| 48063 | Contract Services - W/S | | 2,089.94 | |
| 42000 | W/S Accounts Payable | | | 2,089.94 |
| Total | | | <u>2,089.94</u> | <u>2,089.94</u> |
| Adjusting Journal Entries JE # 9 | | | | |
| To adjust principal paid to calculated amount at wp 5002 for ls purposes. | | | | |
| 47999 | Debt Retirement | 5002 | 22.17 | |
| 47501 | Interest expense-W & S | | | 22.17 |
| Total | | | <u>22.17</u> | <u>22.17</u> |
| Adjusting Journal Entries JE # 10 | | | | |
| To adjust DTF payroll fund to amount per Payroll fund trial balance. | | | | |
| 41150 | Due to/from Payroll acct | | 5,079.46 | |
| 48001 | Salary-W & S-Dept Head | | | 5,079.46 |
| Total | | | <u>5,079.46</u> | <u>5,079.46</u> |
| Adjusting Journal Entries JE # 11 | | | | |
| To record additional FICA owed to payroll fund due to cafeteria plan reversal. | | | | |
| 48012 | FICA expense-W & S | 1801 / 1811 | 3,819.62 | |
| 41150 | Due to/from Payroll acct | | | 3,819.62 |
| Total | | | <u>3,819.62</u> | <u>3,819.62</u> |
| Total Adjusting Journal Entries | | | | |
| | | | <u>56,911.84</u> | <u>56,911.84</u> |
| Total All Journal Entries | | | | |
| | | | <u>56,911.84</u> | <u>56,911.84</u> |

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Client: 08240 - Town of Summit, Mississippi
Engagement: FY 2017 - Town of Summit, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.04 - Debt Service Fund Database
Workpaper: 1500.04 - Debt Service - AJE Report

| Account | Description | W/P Ref | Debit | Credit |
|-------------------------------------------------------------------------------------------|-----------------------------|---------|-----------------|-----------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| To allocate debt service portion of homestead exemption revenue based on the millage rate | | | | |
| 51190 | Due to/from General Fund | | 3,480.23 | |
| 54208 | Homestead exemption revenue | | | 3,480.23 |
| Total | | | <u>3,480.23</u> | <u>3,480.23</u> |
| Adjusting Journal Entries JE # 2 | | | | |
| To reclass pry amount to correct account | | | | |
| 51190 | Due to/from General Fund | | 3,648.82 | |
| 51180 | Due to/from Utility Fund | | | 3,648.82 |
| Total | | | <u>3,648.82</u> | <u>3,648.82</u> |
| Adjusting Journal Entries JE # 3 | | | | |
| To separate interest payments from principal | | | | |
| 58061 | Interest expense - ref spur | | 270.49 | |
| 58080 | Debt Retirement - Refl Spur | | | 270.49 |
| Total | | | <u>270.49</u> | <u>270.49</u> |
| Total Adjusting Journal Entries | | | <u>7,409.54</u> | <u>7,409.54</u> |
| Total All Journal Entries | | | <u>7,409.54</u> | <u>7,409.54</u> |

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Client: 08240 - Town of Summit, Mississippi
Engagement: FY 2017 - Town of Summit, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.05 - Payroll Clearing Fund Database
Worksheet: 1500.05 - Payroll Clearing Fund - AJEs Report

| Account | Description | W/P Ref | Debit | Credit |
|-----------------------------------------------------------------------------|-------------------------------------------------------|---------|-------------------|-------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| To correct postings to incorrect accounts. | | | | |
| 16403 | Salaries-police officers | | 908.95 | |
| 16405 | School-Police Clerical | | 820.05 | |
| 48001 | Salary-water & sew dept head | | 734.58 | |
| 62100 | Payroll Liabilities | | 150,106.72 | |
| 62111 | Federal income tax withheld | | 1,167.00 | |
| 62112 | FICA & Medicare tax withheld | | 2,790.48 | |
| 62114 | State retirement withheld | | 10,283.83 | |
| 68000 | Payroll Expenses | | 16,309.04 | |
| 68112 | FICA & Medicare expense | | 69.38 | |
| 68114 | State retirement expense | | 142.84 | |
| 16404 | Salary - Police Clerical | | | 920.05 |
| 16801 | Salary-street dept head | | | 734.58 |
| 60150 | Due to/from Water & Sew Fund | | | 6,967.58 |
| 60160 | Due to/from General Fund | | | 22,064.03 |
| 62120 | McComb Fed Credit Union wth | | | 745.50 |
| 62126 | Amer Fam Life Ins withheld | | | 27.84 |
| 62132 | Cafeteria Plan | | | 32,618.08 |
| 68117 | Cafeteria Plan reimbursement | | | 118,373.20 |
| Total | | | <u>183,450.85</u> | <u>183,450.85</u> |
| Adjusting Journal Entries JE # 2 | | | | |
| To record additional FICA owed payroll fund due to cafeteria plan reversal. | | | | |
| 60150 | Due to/from Water & Sew Fund | | 3,819.82 | |
| 60160 | Due to/from General Fund | | 7,546.99 | |
| 6050 | Employee Receivable - Cafeteria Adjustment | | 11,366.61 | |
| 62133 | FICA and Medicare-Town Share-Cafeteria Adjustment | | | 3,819.82 |
| 62133 | FICA and Medicare-Town Share-Cafeteria Adjustment | | | 7,546.99 |
| 62134 | FICA and Medicare-Employee Share-Cafeteria Adjustment | | | 11,366.61 |
| Total | | | <u>22,733.22</u> | <u>22,733.22</u> |
| Total Adjusting Journal Entries | | | <u>206,184.07</u> | <u>206,184.07</u> |
| Total All Journal Entries | | | <u>206,184.07</u> | <u>206,184.07</u> |

TOWN OF SUMMIT, MISSISSIPPI

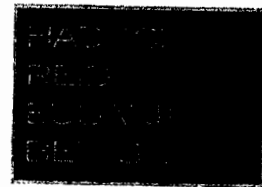
**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SEPTEMBER 30, 2017

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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Councilpersons
Town of Summit
Summit, Mississippi

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Summit, Mississippi for the year ended September 30, 2017, 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.

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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, each major fund, and the remaining fund information of the Town of Summit, Mississippi for the year ended September 30, 2017, 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 Summit, 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
December 20, 2018

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TOWN OF SUMMIT, MISSISSIPPI

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

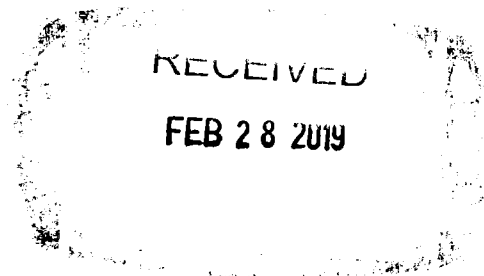
| | GOVERNMENTAL ACTIVITIES | | | |
|---------------------------------------------------------------|-------------------------|-----------------------------|----------------------------|------------------|
| | General Fund | Capital Projects Fund | Other Nonmajor Funds | Total |
| RECEIPTS: | | | | |
| Taxes - Ad valorem | \$ 330,335 | - | 40,930 | 371,265 |
| Penalties and interest on delinquent taxes | 4,141 | - | - | 4,141 |
| Franchise fees | 46,477 | - | - | 46,477 |
| Licenses and permits | 14,397 | - | - | 14,397 |
| Intergovernmental receipts: | | | | |
| Sales tax | 453,105 | - | - | 453,105 |
| Capital grants | 850 | 123,428 | 9,546 | 133,824 |
| Other intergovernmental receipts | 109,219 | - | 9,533 | 118,752 |
| Charges for services: | | | | |
| Sanitation | 142,399 | - | - | 142,399 |
| Water and sewer | - | - | - | - |
| Capital improvement fees | - | - | - | - |
| Fines and forfeits | 17,167 | - | - | 17,167 |
| Interest | 1,495 | - | 243 | 1,738 |
| Other | 34,220 | - | 9,700 | 43,920 |
| Total receipts | <u>1,153,805</u> | <u>123,428</u> | <u>69,952</u> | <u>1,347,185</u> |
| DISBURSEMENTS: | | | | |
| General government | 277,608 | - | - | 277,608 |
| Public safety | 510,455 | - | - | 510,455 |
| Court | 32,430 | - | - | 32,430 |
| Sanitation | 106,593 | - | - | 106,593 |
| Public works | 191,948 | - | 14,400 | 206,348 |
| Capital Projects | - | 134,198 | - | 134,198 |
| Enterprise: | | | | |
| Water and sewer | - | - | - | - |
| Debt Service: | | | | |
| Principal | 12,184 | - | 26,322 | 38,506 |
| Interest and other fiscal charges | 653 | - | 18,052 | 18,705 |
| Total disbursements | <u>1,131,871</u> | <u>134,198</u> | <u>58,774</u> | <u>1,324,843</u> |
| Excess (deficiency) of receipts over (under) disbursements | \$ <u>21,934</u> | <u>(10,770)</u> | <u>11,178</u> | <u>22,342</u> |

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE
ACTIVITIES**

| Water & Sewer Fund | Total |
|---------------------------------------|----------------|
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 548,117 | 548,117 |
| 67,958 | 67,958 |
| - | - |
| 948 | 948 |
| 1,133 | 1,133 |
| <u>618,156</u> | <u>618,156</u> |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 500,402 | 500,402 |
| 85,432 | 85,432 |
| 39,019 | 39,019 |
| <u>624,853</u> | <u>624,853</u> |
| <u>(6,697)</u> | <u>(6,697)</u> |

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TOWN OF SUMMIT, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| GOVERNMENTAL ACTIVITIES | | | | |
|-------------------------------------------------------------------------------------------------------|---------------------|-----------------|-----------------|------------------|
| | General | Capital | Other | |
| | Fund | Projects | Nonmajor | |
| | Fund | Fund | Funds | Total |
| OTHER CASH SOURCE (USES): | | | | |
| Interfund loans and transfers | \$ (5,019) | 11,898 | (3,490) | 3,389 |
| Loan proceeds | 54,326 | - | - | 54,326 |
| Water deposits (refunds) - net | - | - | - | - |
| Total other cash sources (uses) | <u>49,307</u> | <u>11,898</u> | <u>(3,490)</u> | <u>57,715</u> |
| Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses | 71,241 | 1,128 | 7,688 | 80,057 |
| CASH BASIS FUND BALANCE - | | | | |
| Beginning of year | <u>1,120,915</u> | <u>1,370</u> | <u>209,992</u> | <u>1,332,277</u> |
| CASH BASIS FUND BALANCE - | | | | |
| End of year | \$ <u>1,192,156</u> | <u>2,498</u> | <u>217,680</u> | <u>1,412,334</u> |

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE
ACTIVITIES**

| Water & Sewer Fund | Total |
|---------------------------------------|-----------------------|
| (3,389) | (3,389) |
| - | - |
| <u>2,040</u> | <u>2,040</u> |
| <u>(1,349)</u> | <u>(1,349)</u> |
| | |
| (8,046) | (8,046) |
| | |
| <u>804,993</u> | <u>804,993</u> |
| | |
| <u><u>796,947</u></u> | <u><u>796,947</u></u> |

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Summit, Mississippi (the Town) was incorporated in 1858. The Town operates under a Mayor-Board of Councilpersons 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 basis of cash receipts and disbursements, 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 **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure (other than those financed by proprietary funds).

Additionally, the Town reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Business-Type Activities

The Town reports the following major proprietary fund:

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

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.

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

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 financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Cash and certificates of deposit are comprised of the following at September 30, 2017:

| | Unrestricted Cash and Certificates of Deposit | Restricted Cash and Certificates of Deposit | <u>Total</u> |
|----------------------------------|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------|
| Governmental activities: | | | |
| General Fund | \$ 1,187,765 | 4,391 | 1,192,156 |
| Capital Projects Fund | - | 2,498 | 2,498 |
| Special Fire Fund | - | 127,233 | 127,233 |
| Debt Service Fund | - | 42,612 | 42,612 |
| Cemetery Fund | - | 39,471 | 39,471 |
| Police Seizure Fund | - | 8,364 | 8,364 |
| Total governmental activities | <u>1,187,765</u> | <u>224,569</u> | <u>1,412,334</u> |
| Business-type activities: | | | |
| Water and Sewer Fund | <u>626,135</u> | <u>170,812</u> | <u>796,947</u> |
| Total business-type activities | <u>626,135</u> | <u>170,812</u> | <u>796,947</u> |
| Government-wide total | \$ <u>1,813,900</u> | <u>395,381</u> | <u>2,209,281</u> |

Deposits at September 30, 2017 are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|-------------------------|-----------------------------------|--------------------------------|
| Cash | \$ 1,899,825 | 1,900,340 |
| Certificates of deposit | <u>309,456</u> | <u>309,456</u> |
| Total deposits | \$ <u>2,209,281</u> | <u>2,209,796</u> |

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TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

The difference of \$515 was principally due to outstanding checks exceeding the deposits in transit. Of the bank balance, \$411,991 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 Treasurer manages the risk on behalf of the Town. As of September 30, 2017, \$1,797,805 of the Town's bank balance of \$2,209,796 was exposed to custodial credit risk as follows:

Collateralized by the state public funds:

| | |
|---------------|---------------------|
| Guaranty pool | \$ <u>1,797,805</u> |
|---------------|---------------------|

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, 2017.

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, 2017, 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:

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

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

- 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, 2017, annual debt service requirements of governmental and business-type activities to maturity are as follows:

| Fiscal Year Ended <u>September 30,</u> | Governmental <u>Activities</u> | | Business-Type <u>Activities</u> | |
|---------------------------------------------------------|-------------------------------------------------|------------------------|--------------------------------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 48,419 | 19,424 | 87,283 | 36,976 |
| 2019 | 44,568 | 17,577 | 116,950 | 35,057 |
| 2020 | 45,435 | 15,898 | 81,184 | 32,601 |
| 2021 | 36,703 | 14,133 | 82,985 | 30,800 |
| 2022 | 25,000 | 12,975 | 84,831 | 28,954 |
| 2023-2027 | 135,000 | 49,631 | 453,492 | 115,435 |
| 2028-2032 | 165,000 | 18,697 | 469,252 | 62,634 |
| 2033-2037 | - | - | 235,188 | 20,959 |
| 2038-2042 | - | - | 53,990 | 4,959 |
| | \$ <u>500,125</u> | <u>148,335</u> | <u>1,665,155</u> | <u>368,375</u> |

TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

NOTE 4 - PROPERTY TAX

Property taxes for fiscal year 2017 were levied in September 2016 on the assessed valuation of property located in the Town of Summit, Mississippi as of the preceding January 1, the lien date. The Town levies property taxes annually based upon assessed valuations. Real property, personal property and automobile ad valorem taxes and certain road taxes are collected by the Pike County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2017 were approximately 99% of the total tax levy.

The tax rate levied by the Town for fiscal year 2017 was set at 39.35 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

| | | |
|-------------------|----|--------------|
| General Fund | \$ | 3.500 |
| Debt Service Fund | | <u>0.435</u> |
| | \$ | <u>3.935</u> |

NOTE 5 - DEFINED BENEFIT PENSION PLAN

General information about the Pension Plan

Plan Description

The Town of Summit, 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

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TOWN OF SUMMIT, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

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, 2017, the Town's total payroll for all employees was \$573,851. Total covered payroll was \$493,387. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 5 - DEFINED BENEFIT 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, 2017 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 of Summit, Mississippi's contribution to PERS for the years ended September 30, 2017, 2016, and 2015 were \$77,708, \$76,017 and \$67,404, 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> |
|--------------------|----------------------|--------------------|---------------|
| Interfund Loan | General Fund | Water & Sewer Fund | \$ 3,389 |
| Interfund Loan | General Fund | Debt Service | 3,490 |
| Interfund Transfer | Capital Project Fund | General Fund | 11,898 |

The above interfund loans 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.

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

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TOWN OF SUMMIT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 8 - RISK MANAGEMENT - CONTINUED:

Town carries commercial insurance for risks of loss other than workers' compensation. 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.

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

Subsequent to year-end, the Town determined that an IRS Section 125 Cafeteria Plan administered for Town employees from September 1, 2016 through January 4, 2018 did not meet the requirements of the Internal Revenue Code. The determination resulted in the underpayment of payroll taxes for the employees and Town's share in the amount of \$27,655. The Town is currently working to file revised Form 941's for 2016 and 2017 and remit the additional payroll taxes due.

The Town evaluated subsequent events through December 20, 2018, the date the financial statement was approved by the Town's management and thereby available to be issued, and except as described above has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying financial statement.

SUPPLEMENTAL INFORMATION

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SCHEDULE I**TOWN OF SUMMIT, MISSISSIPPI****SCHEDULE OF INVESTMENTS - ALL FUNDS
AS OF SEPTEMBER 30, 2017**

| | <u>Deposit Amount</u> |
|-----------------------------------------------------------------------|----------------------------------|
| Certificate of Deposit with First Bank Maturing 3/12/18, Rate 0.25% | \$ 100,000 |
| Certificate of Deposit with Regions Bank Maturing 3/30/18, Rate 0.01% | 83,515 |
| Certificate of Deposit with First Bank Maturing 3/6/2018, Rate 0.25% | 48,000 |
| Certificate of Deposit with Regions Bank Maturing 1/12/18, Rate 0.05% | 34,462 |
| Certificate of Deposit with State Bank Maturing 11/19/18, Rate 0.50% | 26,286 |
| Certificate of Deposit with Regions Bank Maturing 1/12/18, Rate 0.05% | 16,605 |
| Certificate of Deposit with Regions Bank Maturing 1/12/18, Rate 0.05% | <u>588</u> |
| Total | \$ <u><u>309,456</u></u> |
| Fund Recap: | |
| General Fund | \$ 183,515 |
| Cemetery Fund | 26,874 |
| Water and Sewer Fund | <u>99,067</u> |
| Total | \$ <u><u>309,456</u></u> |

SCHEDULE II**TOWN OF SUMMIT, MISSISSIPPI****SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

| | Balance Outstanding October 1, 2016 | Issued | Redeemed | Balance Outstanding September 30, 2017 |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------|------------------|-----------------------------------------------------------|
| Freight Rail Service Project Revolving Loan Program - 04-352-RR-01 | \$ 29,957 | - | (6,322) | 23,635 |
| \$251,000 Combined Water and Sewer System Revenue Bonds Series 2006 | 217,400 | - | (4,998) | 212,402 |
| \$525,000 General Obligation Bonds Series 2011 | 445,000 | - | (20,000) | 425,000 |
| Mississippi Department of Economic & Community Development Capital Improvement Loan - 10-352-CP-01 | 296,479 | - | (16,552) | 279,927 |
| Water Pollution Control Revolving Loan Program - MDEQ - SRF C280-753-02 | 1,180,238 | - | (54,508) | 1,125,730 |
| Capital Lease - BancorpSouth | 56,469 | - | (9,373) | 47,096 |
| Capital Lease - Wells Fargo | 9,349 | | (4,677) | 4,672 |
| Capital Lease - Ford Motor Credit | - | 27,163 | (3,754) | 23,409 |
| Capital Lease - Ford Motor Credit | - | 27,163 | (3,754) | 23,409 |
| Total | \$ 2,234,892 | 54,326 | (123,938) | 2,165,280 |

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SCHEDULE III**TOWN OF SUMMIT, MISSISSIPPI****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
AS OF SEPTEMBER 30, 2017**

| <u>Name</u> | <u>Position</u> | <u>Surety</u> | <u>Bond Amount</u> |
|----------------------|------------------------|----------------------|---------------------------|
| Percy B. Robinson | Mayor | Travelers | \$50,000 |
| Daryl Porter | Councilperson | Travelers | 50,000 |
| Joe Lewis | Councilperson | Travelers | 50,000 |
| Lester Swanigan | Councilperson | Travelers | 50,000 |
| Lester Jones | Councilperson | Travelers | 50,000 |
| James Issac | Chief of Police | Travelers | 50,000 |
| Patricia Whittington | Town Clerk | Travelers | 50,000 |
| Suzzone Perkins | Court Clerk | Travelers | 50,000 |
| Deborah Price | Deputy Town Clerk | Travelers | 50,000 |

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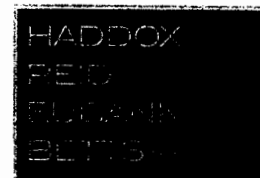
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SCHEDULE IV

TOWN OF SUMMIT, MISSISSIPPI
SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

| | Beginning Balance October 1, 2016 | Additions | Retirements/ Reclass | Ending Balance September 30, 2017 |
|-----------------------------------------------|------------------------------------------------------|------------------|---------------------------------|------------------------------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets: | | | | |
| Land | \$ 19,550 | - | - | 19,550 |
| Building and improvements | 3,656,963 | - | - | 3,656,963 |
| Vehicles and machinery | 1,462,630 | 81,777 | (7,120) | 1,537,287 |
| Infrastructure | 2,271,245 | 26,787 | - | 2,298,032 |
| Construction in progress | - | 21,706 | - | 21,706 |
| | | | - | |
| Total governmental activities capital assets | \$ <u>7,410,388</u> | <u>130,270</u> | <u>(7,120)</u> | <u>7,533,538</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets: | | | | |
| Land | \$ 2,200 | - | - | 2,200 |
| Building | 148,298 | - | - | 148,298 |
| Vehicles and machinery | 1,119,580 | 74,400 | - | 1,193,980 |
| Water distribution system | 5,782,753 | - | 401,642 | 6,184,395 |
| Construction in progress | 294,275 | 107,367 | (401,642) | - |
| | | | | |
| Total business-type activities capital assets | \$ <u>7,347,106</u> | <u>181,767</u> | <u>-</u> | <u>7,528,873</u> |

STATE COMPLIANCE SECTION



CPAs & Advisors

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

To the Honorable Mayor and Board of Councilpersons
Town of Summit, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Summit, Mississippi as of and for the year ended September 30, 2017, and have issued our report thereon dated December 20, 2018. 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, each major fund, and the aggregate remaining fund information disclosed the following instance of noncompliance with state laws and regulations. Our finding and the Town's response is as follows:

2017-001 - Cafeteria Plan

Condition

The Town determined that the cafeteria plan administered for Town employees from September 1, 2016 through January 4, 2018 did not meet the requirements of Section 125 of the Internal Revenue Code.

Criteria

Section 125 of the Internal Revenue Code sets forth the requirements for income to be excluded from employee income and employment taxes as part of a cafeteria plan.

Cause

There were no procedures in place to ensure that the cafeteria plan met the requirements of Section 125 of the Internal Revenue Code prior to approval by the Board of Councilpersons.

Effect

The Town improperly excluded from employee's income amounts which should have been subject to income and employment taxes. The amount of employee's income which should have been subject to income taxes from September 1, 2016 through January 4, 2018 was \$180,749. The amount of employment taxes which were underpaid from September 1, 2016 through January 4, 2018 was \$27,655.

Recommendation

Management and those charged with governance should implement policies and procedures necessary to ensure that any future cafeteria plans administered by the Town meet the requirements of Section 125 prior to approval. The Town should reissue the W-2 forms for 2016 and 2017 showing the proper amount of income on each employee and pay the appropriate employment taxes by filing revised 941's for 2016 and 2017.

View of Responsible Officials and Planned Corrective Action

The Town agrees with the finding and the recommended policies and procedures have been implemented. The Town discontinued the cafeteria plan in January 2018 and is currently working to amend the necessary W-2 forms for 2016 and 2017 to correct the amounts previously excluded from employee income in error. The Town is also currently working to file revised Form 941's for 2016 and 2017 and remit the additional payroll taxes due.

This report is intended for the information of the Town of Summit, Mississippi's management, Honorable Mayor and Board of Councilpersons, 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 Bells PLLC

Jackson, Mississippi
December 20, 2018

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