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TOWN OF LEAKESVILLE, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

TOWN OF LEAKESVILLE

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TOWN OF LEAKESVILLE

FINANCIAL SECTION

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements on the basis of cash receipts and disbursements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of September 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Other Required Supplementary Information

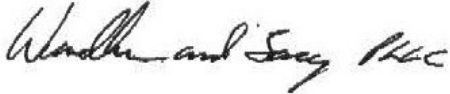
The Schedule of Changes in Long-term Debt, the Schedule of Surety Bonds, and the Schedule of Capital Assets for the Town of Leakesville, Mississippi, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2020, on our consideration of the Town of Leakesville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Leakesville, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Leakesville, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the Town of Leakesville, Mississippi, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
August 21, 2020

TOWN OF LEAKESVILLE

FINANCIAL STATEMENTS

TOWN OF LEAKESVILLE
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2018

Program Cash Receipts					Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General government	\$ 384,314	66,196	18,703		(299,415)		(299,415)
Public safety	251,218		13,362		(237,856)		(237,856)
Public works	353,133	69,538			(283,595)		(283,595)
Culture and recreation	78,693				(78,693)		(78,693)
Interest on long-term debt	21,793				(21,793)		(21,793)
Total Governmental Activities	<u>1,089,151</u>	<u>135,734</u>	<u>32,065</u>	<u>0</u>	<u>(921,352)</u>	<u>0</u>	<u>(921,352)</u>
Business-type Activities:							
Water/Sewer	<u>883,723</u>	<u>1,005,259</u>				<u>121,536</u>	<u>121,536</u>
Total Business-type Activities	<u>883,723</u>	<u>1,005,259</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,536</u>	<u>121,536</u>
Total Government	<u>\$ 1,972,874</u>	<u>1,140,993</u>	<u>32,065</u>	<u>0</u>	<u>(921,352)</u>	<u>121,536</u>	<u>(799,816)</u>
General Receipts							
Taxes:							
Property taxes					\$ 164,146		164,146
Road & bridge privilege taxes					60,798		60,798
Sales tax					331,633		331,633
Franchise taxes					58,270		58,270
Unrestricted investment income					231		231
Loan proceeds					150,189		150,189
Proceeds equipment sale					59,272		59,272
Miscellaneous					9,618		9,618
Transfers					<u>136,405</u>	<u>(136,405)</u>	
Total General Receipts					<u>970,562</u>	<u>(136,405)</u>	<u>834,157</u>
Change in Net Position					49,210	(14,869)	34,341
Net Position - Beginning					<u>(4,881)</u>	<u>49,167</u>	<u>44,286</u>
Net Position - Ending					<u>\$ 44,329</u>	<u>34,298</u>	<u>78,627</u>

(Continued)

TOWN OF LEAKESVILLE
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2018

ASSETS

Cash and cash equivalents	\$ (40,612)
Restricted cash	<u>119,239</u>
Total Assets	\$ <u><u>78,627</u></u>

NET POSITION

Restricted:	
Restricted for debt service	\$ 62,882
Restricted for public safety	51,390
Restricted for meter deposits	4,967
Unrestricted	<u>(40,612)</u>
Total Net Position	\$ <u><u>78,627</u></u>

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

TOWN OF LEAKESVILLE
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and for the Year Ended September 30, 2018

	Governmental Activities				Business-type Activities		
	Major Funds				Major Fund		
	General Fund	Fire Rebate Fund	Other Funds	Total	Water/Sewer Fund	Non-Major Fund	Total
RECEIPTS							
Ad valorem taxes	\$ 164,146			164,146			
Road and bridge tax	60,798			60,798			
License and permits	13,324			13,324			
Franchise taxes on utilities	58,270			58,270			
Intergovernmental revenues:							
Homestead exemption reimbursement	15,505			15,505			
State shared revenues:							
Sales taxes	331,633			331,633			
Gasoline tax	2,750			2,750			
Municipal aid	448			448			
Fire insurance rebate		5,126		5,126			
Local shared revenues:							
County fire insurance rebate		8,236		8,236			
Charges for services:							
Garbage	69,538			69,538			
Water and sewer utility					1,005,259		1,005,259
Fines and forfeits	51,472		1,400	52,872			
Interest income		218	13	231			
Miscellaneous revenue	9,618			9,618			
Total Receipts	<u>777,502</u>	<u>13,580</u>	<u>1,413</u>	<u>792,495</u>	<u>1,005,259</u>	<u>0</u>	<u>1,005,259</u>
DISBURSEMENTS							
General government	331,419			331,419			
Public safety	239,937	4,193		244,130			
Public works	167,499			167,499			
Culture and recreation	47,693			47,693			

(Continued)

TOWN OF LEAKESVILLE
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and for the Year Ended September 30, 2018

	Governmental Activities				Business-type Activities		
	Major Funds				Major Fund		
	General Fund	Fire Rebate Fund	Other Funds	Total	Water/Sewer Fund	Non-Major Fund	Total
Water and sewer utility:							
Personal services					338,876		338,876
Supplies					102,513		102,513
Utilities					97,982		97,982
Other services and charges					166,117		166,117
Total Disbursements	<u>786,548</u>	<u>4,193</u>	<u>0</u>	<u>790,741</u>	<u>705,488</u>	<u>0</u>	<u>705,488</u>
Excess of Receipts Over (Under) Disbursements	<u>(9,046)</u>	<u>9,387</u>	<u>1,413</u>	<u>1,754</u>	<u>299,771</u>	<u>0</u>	<u>299,771</u>
OTHER CASH SOURCES (USES)							
Loan proceeds	150,189			150,189			
Sale of equipment	59,272			59,272			
Capital outlay - land	(31,000)			(31,000)			
Capital outlay - equipment	(119,512)			(119,512)	(2,006)		(2,006)
Capital outlay - CIP					(35,385)		(35,385)
Principal paid on bonds and notes	(126,105)			(126,105)	(79,971)		(79,971)
Interest paid on bonds and notes	(21,793)			(21,793)	(60,873)		(60,873)
Transfers in (out) from other funds	<u>133,150</u>	<u>5,759</u>	<u>(2,504)</u>	<u>136,405</u>	<u>(136,405)</u>		<u>(136,405)</u>
Total Other Cash Sources and (Uses)	<u>44,201</u>	<u>5,759</u>	<u>(2,504)</u>	<u>47,456</u>	<u>(314,640)</u>	<u>0</u>	<u>(314,640)</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	35,155	15,146	(1,091)	49,210	(14,869)	0	(14,869)
CASH BASIS FUND BALANCE - Beg. Of Year	<u>(45,269)</u>	<u>34,238</u>	<u>6,150</u>	<u>(4,881)</u>	<u>49,151</u>	<u>16</u>	<u>49,167</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ (10,114)</u>	<u>49,384</u>	<u>5,059</u>	<u>44,329</u>	<u>34,282</u>	<u>16</u>	<u>34,298</u>

(Continued)

TOWN OF LEAKESVILLE
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and for the Year Ended September 30, 2018

	Governmental Activities				Business-type Activities		
	Major Funds				Major Fund		
	General Fund	Fire Rebate Fund	Other Funds	Total	Water/Sewer Fund	Non-Major Fund	Total
CASH BASIS ASSETS - End of Year							
Cash and cash equivalents	\$ (10,114)			(10,114)	(30,514)	16	(30,498)
Restricted cash		49,384	5,059	54,443	64,796		64,796
Total Cash Basis Assets	<u>\$ (10,114)</u>	<u>49,384</u>	<u>5,059</u>	<u>44,329</u>	<u>34,282</u>	<u>16</u>	<u>34,298</u>
CASH BASIS FUND BALANCES - End of Year							
Restricted:							
Restricted for debt service	\$		3,053	3,053	59,829		59,829
Restricted for public safety		49,384	2,006	51,390			
Restricted for meter deposits					4,967		4,967
Unassigned	<u>(10,114)</u>			<u>(10,114)</u>	<u>(30,514)</u>	<u>16</u>	<u>(30,498)</u>
Total Cash Basis Fund Balances	<u>\$ (10,114)</u>	<u>49,384</u>	<u>5,059</u>	<u>44,329</u>	<u>34,282</u>	<u>16</u>	<u>34,298</u>

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

TOWN OF LEAKESVILLE

Notes to Financial Statements For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

The financial statements of the Town have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Town combines the Statement of Activities and Statement of Net Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

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

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire rebate fund* is a special revenue fund which accounts for special revenue to be used for capital expenditures and operating expenditures of the Town's fire department.

The Town reports the following major proprietary fund:

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

TOWN OF LEAKESVILLE

Notes to Financial Statements For the Year Ended September 30, 2018

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

Amounts reported as *program receipts* include (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Net Position or Equity.

1. *Cash.*

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

2. *Net Position.*

Restricted net position - Consists of cash with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net assets not meeting the definition of "restricted".

3. *Fund Balances.*

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$78,627 and the bank balance was \$121,619. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

TOWN OF LEAKESVILLE

Notes to Financial Statements For the Year Ended September 30, 2018

Custodial Credit Risk - Deposits and Investments: Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution trust department or agent in the name of the Mississippi State Treasury on behalf of the Town. As of September 30, 2018, none of the Town's bank balance of \$121,619 was exposed to custodial risk.

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The Town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

(3) Defined Benefit Pension Plan.

Plan Description: The Town of Leakesville contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, at 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the years ended September 30, 2018, 2017, and 2016 were \$58,708, \$58,670, and \$53,222, respectively, which is equal to the required contributions for each year.

(4) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Leakesville Board of Aldermen and the Greene County Board of Supervisors negotiates property tax abatements on an individual basis. The Town had a tax abatement agreement with one entity as of September 30, 2018:

<u>Category</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of a manufacturing facility	100	\$ 2,354

TOWN OF LEAKESVILLE

Notes to Financial Statements For the Year Ended September 30, 2018

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

(5) Operating Leases.

At September 30, 2018, assets under lease are as follows:

As Lessee:

On May 9th, 2018, the Town of Leakesville, Mississippi entered into an operating lease agreement with Greene County, Mississippi, for the lease of a building to use or market for economic, civic, acquire a tenant, sublease, purchase or for social development purposes, which are authorized by law. The lease stipulated the Town would pay the lessor \$625 per month for 12 years. The lease agreement includes an option for lessee to purchase the property for a total amount of \$120,000 at any time during the term of the lease with lease payments paid being deducted from the purchase price.

The future minimum lease payments for this lease are as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2019	\$ 7,500
2020	7,500
2021	7,500
2022	7,500
2023	7,500
2024 to 2028	37,500
2029 to 3030	<u>12,500</u>
Total	<u>\$ 87,500</u>

(6) Subsequent Events.

Events that occur after the Statement of Activities and Net Position - Cash Basis date but before the financial statements are 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 Activities and Net Position - Cash Basis date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Activities and Net Position - Cash Basis date require disclosure in the accompanying notes. Management of the Town of Leakesville evaluated the activity of the Town through August 21, 2020, and determined that the following event occurred subsequent to the Statement of Activities Net Position - Cash Basis date, requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
07/13/2020	4.00%	\$ 15,552	Lease purchase	Ad valorem taxes

TOWN OF LEAKESVILLE

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEAKESVILLE
Budgetary Comparison Schedule -
Budget and Actual
General Fund - UNAUDITED
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUE				
License & permits	\$ 2,500	13,324	13,324	
State shared revenues	331,000	350,336	350,336	
Local government revenues	67,350	69,538	69,538	
Fines & forfeits	30,000	51,472	51,472	
Miscellaneous revenues	160,300	67,888	67,888	
Tax levy	191,500	224,944	224,944	
Total Revenue	<u>782,650</u>	<u>777,502</u>	<u>777,502</u>	<u>0</u>
EXPENDITURES				
Executive and judicial	70,050	87,864	87,864	
Financial administrative	204,780	243,555	243,555	
Police	210,800	228,009	228,009	
Fire	9,700	11,928	11,928	
Street	211,449	167,499	167,499	
Park and recreation	59,350	35,712	35,712	
Library	12,350	11,981	11,981	
Total Expenditures	<u>778,479</u>	<u>786,548</u>	<u>786,548</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>4,171</u>	<u>(9,046)</u>	<u>(9,046)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Capital outlay - land		(31,000)	(31,000)	
Capital outlay - equipment		(119,512)	(119,512)	
Loan proceeds		150,189	150,189	
Principal paid on bonds and notes		(126,105)	(126,105)	
Interest paid on bonds and notes		(21,793)	(21,793)	
Sale of equipment		59,272	59,272	
Transfers in (out) from other funds		133,150	133,150	
Total Other Cash Sources and (Uses)	<u>0</u>	<u>44,201</u>	<u>44,201</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	4,171	35,155	35,155	0
Cash Basis Fund Balances - Beginning	<u>(45,269)</u>	<u>(45,269)</u>	<u>(45,269)</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ (41,098)</u>	<u>(10,114)</u>	<u>(10,114)</u>	<u>0</u>

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

TOWN OF LEAKESVILLE
Budgetary Comparison Schedule -
Budget and Actual
Fire Rebate Fund - UNAUDITED
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUE				
State shared revenues	\$ 5,500	5,126	5,126	
Local shared government revenues	9,000	8,236	8,236	
Interest income	150	218	218	
Miscellaneous	110			
Total Revenue	<u>14,760</u>	<u>13,580</u>	<u>13,580</u>	<u>0</u>
EXPENDITURES				
Fire		4,193	4,193	
Total Expenditures	<u>0</u>	<u>4,193</u>	<u>4,193</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>14,760</u>	<u>9,387</u>	<u>9,387</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers in (out)	100	5,759	5,759	
Total Other Cash Sources and Uses	<u>100</u>	<u>5,759</u>	<u>5,759</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	14,860	15,146	15,146	0
Cash Basis Fund Balances - Beginning	<u>34,238</u>	<u>34,238</u>	<u>34,238</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 49,098</u>	<u>49,384</u>	<u>49,384</u>	<u>0</u>

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

TOWN OF LEAKESVILLE

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2018
UNAUDITED**

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and Fire Rebate Fund.

C. Budget Reconciliation.

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

TOWN OF LEAKESVILLE

OTHER REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEAKESVILLE
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2018 - UNAUDITED

Description	Outstanding Balance Oct. 1, 2017	Additions	Redeemed	Outstanding Balance Sept. 30, 2018
<u>Long-term Debt</u>				
Governmental Fund Debt:				
General obligation street improvement bond, Series 2011 No. 12	\$ 384,960		18,235	366,725
First State Bank loan 00008512485000006	71,845		31,788	40,057
Cat Financial lease purchase	66,122		66,122	
Hancock Bank lease purchase	16,621		7,088	9,533
Hancock Bank lease purchase - backhoe		113,402		113,402
Community Bank ballfield loan		36,787	2,872	33,915
Enterprise Fund Debt:				
Rural water system revenue bond No. 04	30,559		11,885	18,674
Capital improvement loan No. 357	166,720		25,460	141,260
Combined water and sewer system revenue bonds No. 07	127,754		3,528	124,226
Combined water and sewer system junior lien revenue bonds No. 10	1,015,781		21,039	994,742
Capital improvement loan No. 50731	415,500		18,059	397,441
Compensated absences payable - Governmental and Enterprise	<u>5,416</u>	<u>2,118</u>		<u>7,534</u>
Total	\$ <u>2,301,278</u>	<u>152,307</u>	<u>206,076</u>	<u>2,247,509</u>

TOWN OF LEAKESVILLE
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2018 - UNAUDITED

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

TOWN OF LEAKESVILLE
Schedule of Capital Assets
For the Year Ended September 30, 2018 - UNAUDITED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets:				
Land	\$ 65,300	31,000		96,300
Buildings	263,763			263,763
Recreation improvements	699,406			699,406
Street improvements	217,257			217,257
Machinery, equipment and vehicles	<u>865,630</u>	<u>119,512</u>	<u>102,885</u>	<u>882,257</u>
Total Governmental Activities Capital Assets	\$ <u>2,111,356</u>	<u>150,512</u>	<u>102,885</u>	<u>2,158,983</u>
Business-type Activities				
Capital Assets:				
Machinery, equipment and vehicles	\$ 68,408	2,006		70,414
Water tanks, treatment plants and lines	4,897,406			4,897,406
Water improvements	1,026,377			1,026,377
Sewer improvements	2,398,182			2,398,182
CIP - wastewater treatment facility	<u>35,385</u>	<u>35,385</u>		<u>35,385</u>
Total Business-type Activities Capital Assets	\$ <u>8,390,373</u>	<u>37,391</u>	<u>0</u>	<u>8,427,764</u>

TOWN OF LEAKESVILLE

SPECIAL REPORTS

Windham and Lacey, PLLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Leakesville, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 18-001, 18-002 and 18-003 to be material weaknesses.

Compliance and Other Matters

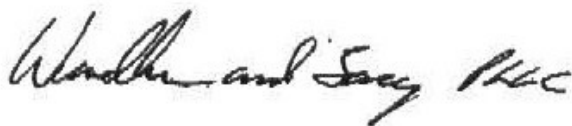
As part of obtaining reasonable assurance about whether the Town of Leakesville, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Windham and Lacey LLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
August 21, 2020

Windham and Lacey, PLLC

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2018, and have issued our report thereon dated August 21, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. *Finding*

State law Section 21-35-15, Miss. Code (Ann.) 1972, requires that governing authorities shall at all times keep within the annual revenues and cash reserves named in their said budget. The Town's expenditures exceeded its revenues and cash reserves of the General Fund for the fiscal year-end September 30, 2018.

Recommendation

The Town should follow state budget laws.

Town's Response

The Town will follow state budget laws.

2. Finding

State law Section 31-7-3, Miss. Code (Ann.) 1972, requires through the Department of Finance and Administration, Mississippi Procurement Manual, Chapter 10.112.01 balances on accounts: Balances on credit cards shall not be carried over to the next month except on disputed claims and only for the disputed amount. The Town carried over undisputed credit card balances during the fiscal year-end September 30, 2018.

Recommendation

The Town should follow state public purchase laws.

Town's Response

The Town will follow state public purchase laws.

3. Finding

State law Section 17-17-348, Miss. Code (Ann.) 1972, requires the municipality 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. The Town did not publish the above report.

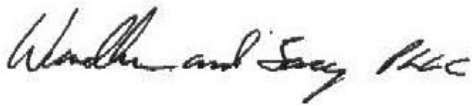
Recommendation

The Town should publish the above report.

Town's Response

The Town will publish the above report.

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



Windham and Lacey, PLLC
August 21, 2020

TOWN OF LEAKESVILLE

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF LEAKESVILLE

Schedule of Findings and Responses For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Finding 18-001.

Significant Deficiency - Material Weakness

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

Recommendation

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

Town's Response

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

Finding 18-002.

Significant Deficiency - Material Weakness

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

Recommendation

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

TOWN OF LEAKESVILLE

Schedule of Findings and Responses For the Year Ended September 30, 2018

Town's Response

In June of 2018 the Town contracted with an outside bookkeeping service to perform bank reconciliations for all general ledger cash bank accounts. The town will continue to strengthen internal control over monthly bank reconciliations of all general ledger cash bank accounts.

Finding 18-003.

Significant Deficiency - Material Weakness

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

Recommendation

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

Town's Response

The Board of Aldermen will improve oversight over expenditures.