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**TOWN OF RALEIGH, MISSISSIPPI**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2019**

**TOWN OF RALEIGH, MISSISSIPPI**

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**September 30, 2019**

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## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Mayor and Board of Aldermen  
Town of Raleigh, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and the major fund, of the Town of Raleigh, Mississippi, as of and for the year ended September 30, 2019, 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 in accordance with the cash basis of accounting as described in Note 1, which includes that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in these 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 fraud or error.

### Auditors' 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 in *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 auditors' 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 and the business-type activities and the major fund of the Town of Raleigh, Mississippi, as of September 30, 2019, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### OTHER MATTERS

#### Omission of Required Supplementary Information

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

#### Supplementary and Other Information

The Schedule of Long-term Debt, the Schedule of Investments-All Funds, and the Schedule of Surety Bonds for Municipal Officials and Employees, for the Town of Raleigh, 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 Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of the Town of Raleigh, 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 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 Town of Raleigh, Mississippi's internal control over financial reporting and compliance.

#### Emphasis of Matter

As discussed in Note 1, the Town of Raleigh, 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 by the United States of America.

*Herzog CPA Company, PLLC*

Herzog CPA Company, PLLC  
Hattiesburg, Mississippi  
December 31, 2020



**TOWN OF RALEIGH, MISSISSIPPI**  
**Statement of Activities and Net Position-Cash Basis**  
**For the Year Ended September 30, 2019**

Function/Programs:	Program Cash Receipts				Business-	
	Cash Disbursements	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
General Government	\$ (316,927)	\$ -	\$ -	\$ -	\$ (316,927)	\$ -
Public Safety	(625,441)	8,588	-	424,840	(192,013)	-
Public Works	(59,962)	-	-	-	(59,962)	-
Culture and Recreation	(9,218)	-	-	-	(9,218)	-
Total Governmental Activities	<u>(1,011,548)</u>	<u>8,588</u>	<u>-</u>	<u>424,840</u>	<u>(578,120)</u>	<u>-</u>
<b>Business-Type Activities:</b>						
Water	(290,560)	323,569	-	-	-	33,009
Sewer	(208,300)	161,391	-	-	-	(46,909)
Gas	(68,720)	242,829	-	-	-	174,109
Total Business-Type Activities	<u>(567,580)</u>	<u>727,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,209</u>
Total Functions/Programs	<u>\$ (1,579,128)</u>	<u>\$ 736,377</u>	<u>\$ -</u>	<u>\$ 424,840</u>	<u>\$ (578,120)</u>	<u>\$ (417,911)</u>
<b>General Receipts and Transfers</b>						
Property Tax					\$ 167,350	\$ -
Franchise Tax					37,649	-
Sales Tax					215,017	-
Licenses and Permits					1,118	-
Grants not Restricted to specific purpose					35,433	-
Other Revenue					56,515	4,856
Interest					531	821
Transfers					(6,353)	6,353
Total General Revenues					<u>507,260</u>	<u>12,030</u>
Change in Net Position					<u>(70,860)</u>	<u>172,239</u>
Net Position-Beginning					<u>191,847</u>	<u>104,900</u>
Net Position-End of Year					<u>\$ 120,987</u>	<u>\$ 277,139</u>
						<u>\$ 398,126</u>

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

**TOWN OF RALEIGH, MISSISSIPPI**  
**Statement of Cash Basis Assets and Fund Balances**  
**And Cash Receipts, Disbursements, and**  
**Changes in Cash Basis Fund Balances**  
**Governmental and Business-Type Funds**  
**For the Year Ended September 30, 2019**

**Exhibit 2**

<u>RECEIPTS</u>	<u>Major Fund</u> <u>General Fund</u>	<u>Water, Sewer</u> <u>and Gas Funds</u>	<u>Totals</u> <u>(Memorandum Only)</u>
Franchise Tax on Utilities	\$ 37,649	\$ -	\$ 37,649
Property Tax	167,350	-	167,350
Sales Tax	215,017	-	215,017
Licenses and Permits	1,118	-	1,118
Intergovernmental Revenue	460,273	-	460,273
Fines and Forfeitures	8,588	-	8,588
Other Revenue	56,515	4,856	61,371
<u>Charges for Services:</u>			
Water System	-	323,569	323,569
Sewer	-	161,391	161,391
Natural Gas	-	242,829	242,829
<u>Other Receipts:</u>			
Interest Income	531	821	1,352
Total Receipts	<u>947,041</u>	<u>733,466</u>	<u>1,680,507</u>
<u>DISBURSEMENTS</u>			
General Government	316,927	-	316,927
Public Safety	189,393	-	189,393
Highway and Streets	59,962	-	59,962
Culture and Recreation	9,218	-	9,218
Enterprise: Water	-	290,560	290,560
Enterprise: Sewer	-	208,300	208,300
Enterprise: Gas	-	68,720	68,720
Capital Projects	436,048	-	436,048
Total Disbursements	<u>1,011,548</u>	<u>567,580</u>	<u>1,579,128</u>
Excess of Receipts Over (Under)			
Disbursements	<u>(64,507)</u>	<u>165,886</u>	<u>101,379</u>

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



**TOWN OF RALEIGH, MISSISSIPPI**  
**Statement of Cash Basis Assets and Fund Balances**  
**And Cash Receipts, Disbursements, and**  
**Changes in Cash Basis Fund Balances**  
**Governmental and Business-Type Funds**  
**For the Year Ended September 30, 2019**

	<u>Major Fund</u> <u>General Fund</u>	<u>Water, Sewer</u> <u>and Gas Funds</u>	<u>Totals</u> <u>(Memorandum Only)</u>
Other Financing Sources (Uses)			
Transfers In (Out)	\$ (6,353)	\$ 6,353	\$ -
Total Other Financing Sources (Uses)	<u>(6,353)</u>	<u>6,353</u>	<u>-</u>
Excess of Receipts and other Financing Sources Over Disbursements	(70,860)	172,239	101,379
Cash Basis Fund Balance-Beginning of Year	191,847	104,900	296,747
Cash Basis Fund Balance-End of Year	<u>\$ 120,987</u>	<u>\$ 277,139</u>	<u>\$ 398,126</u>
Cash Basis Assets-End of Year			
Cash and Cash Equivalents	\$ 120,978	\$ 277,139	\$ 398,117
Restricted Cash	<u>9</u>	<u>-</u>	<u>9</u>
Total Cash Basis Assets	<u>120,987</u>	<u>277,139</u>	<u>398,126</u>
Cash Basis Fund Balances-End of Year			
Restricted:			
Restricted for Capital Projects	9	-	9
Unassigned	120,978	277,139	398,117
Total Cash Basis Fund Balances	<u>\$ 120,987</u>	<u>\$ 277,139</u>	<u>\$ 398,126</u>

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

**TOWN OF RALEIGH, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity.**

The Town of Raleigh, Mississippi, (Town) situated in Smith County, operates under the Mayor-Board form of government. The following services are provided by the town: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Town have been prepared on the basis of cash receipts and disbursement basis, 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 Changes in Net Position) 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 disbursements of a given function or segment are offset by program receipts. *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 programs receipts are reported instead as *general receipts*.

Separate financial statements are provided for governmental funds and propriety funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**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 cash is collected and disbursements 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 recorded when cash is collected. Disbursements are generally recorded when cash is spent.



**TOWN OF RALEIGH, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

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

Amounts reported as *program cash receipts* include (1) fines and 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.

**Proprietary Funds**

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses occurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

**D. Assets, Net Position and Fund Balances.**

**Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by management other than the highest decision making authority of the Town.

**Unassigned** – Includes positive fund balance with the General fund which has not been classified within the above mentioned 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.

**Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Automobile ad valorem taxes are collected by Smith County and remitted to the town. The County retains a collection fee. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rate for the Town for January through December was 24.2 mills broken down as follows:

General Fund	<u>24.2</u>
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Restrictions associated with property tax levies are established by state law which provides that the tax levy for general purposes shall no more than 110% of the amount which results for those levies' assessments of the previous year. Uncollected taxes were determined to be properly handled.



**TOWN OF RALEIGH, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

**NOTE 2 - CASH AND CASH EQUIVALENTS.**

At year-end, the Town's carrying amount of deposits was \$398,126 and the bank balance was \$403,204. 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 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 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 Deposit Insurance Corporation.

**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's trust department or agent in the name of the Mississippi State Treasurer on the behalf of the Town. As of September 30, 2019, one of the Town's bank balances of \$293,497 was exposed to custodial risk.

**Interest Rate Risk:** The Town does not have a formal investment policy that limits 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.

**NOTE 3 - DEFINED BENEFIT PENSION PLAN.**

**Plan Description:** The Town of Raleigh, 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, 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 employer rate was 15.75 percent of annual covered payroll through June 30, 2019, and is 17.40% thereafter. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Town's contribution to PERS for the years ended September 30, 2017, 2018, and 2019 were \$52,910, \$49,080 and \$45,176 respectively, which is equal to the required contributions for each year.

**TOWN OF RALEIGH, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT-UNAUDITED**  
**For the Year Ended September 30, 2019**

**NOTE 4 - LONG-TERM DEBT**

**Governmental Activities Long-Term Debt**

	Balance Outstanding October 1, 2018	Transactions During Fiscal Year Issued	Transactions During Fiscal Year Redeemed	Balance Outstanding September 30, 2019
<b>DEFINITION AND PURPOSE</b>				
<b><u>Other Long-Term Debt:</u></b>				
Generator	\$ -	\$ 41,660	\$ -	\$ 41,660
TOTAL	<u>\$ -</u>	<u>\$ 41,660</u>	<u>\$ -</u>	<u>\$ 41,660</u>

The annual requirements to amortize all debt outstanding as of September 30, 2019, including interest payments of \$3,848 are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2020	\$ 9,865	\$ 1,512	\$ 11,377
2021	10,223	1,154	11,377
2022	10,594	783	11,377
2023	10,978	399	11,377
	<u>\$ 41,660</u>	<u>\$ 3,848</u>	<u>\$ 45,508</u>

**NOTE 5 - RISK MANAGEMENT**

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



**TOWN OF RALEIGH, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

**NOTE 6 - SUBSEQUENT EVENTS**

Events that occur after the Statement of Financial Position 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 Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of the Foundation evaluated the activity of the association through December 31, 2020, and determined that the following subsequent events require disclosure in the notes to the financial statements:

On October 8, 2019, the Town approved a bid for SMLPC Sidewalk Improvements in the amount of \$138,741.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus began to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

In June 2020, the Board approved a bid in the amount of \$211,873 for the tennis court construction.

In July, 2020, the Board approved the purchase of a truck for the maintenance department in the amount of \$18,439.



## **OTHER INFORMATION**

**TOWN OF RALEIGH, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS-UNAUDITED**  
**For the Year Ended September 30, 2019**

<b>Position</b>	<b>Company</b>	<b>Bond</b>
Alderman	Travelers Casualty & Surety Company	\$25,000
Alderman	Travelers Casualty & Surety Company	\$25,000
Alderman	Travelers Casualty & Surety Company	\$25,000
Alderman	Travelers Casualty & Surety Company	\$25,000
Alderman	Travelers Casualty & Surety Company	\$25,000
Mayor	Travelers Casualty & Surety Company	\$25,000
Deputy Town Clerk	Western Surety Company	\$50,000
Court Clerks	Western Surety Company	\$10,000
Deputy Court Clerks	Western Surety Company	\$50,000
Policemen	Western Surety Company	\$25,000
Maintenance	Western Surety Company	\$15,000

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF RALEIGH, MISSISSIPPI  
SCHEDULE OF INVESTMENTS-UNAUDITED  
For the Fiscal Year Ended September 30, 2019**

	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
<b><u>GOVERNMENTAL FUND TYPE</u></b>					
General Fund-Certificate of Deposit	0.16%	4/21/2000	3/26/2021	Community Bank	\$ 36,911
General Fund-Certificate of Deposit	0.16%	11/28/2002	11/5/2020	Community Bank	7,624
General Fund-Certificate of Deposit	0.70%	2/14/2004	11/14/2019	Community Bank	<u>23,708</u>
Total Governmental Fund Type Investments					<u>\$ 68,243</u>

The independent auditors' report and notes to the financial statements are an integral part of this statement.

**TOWN OF RALEIGH, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT-UNAUDITED**  
**For the Fiscal Year Ended September 30, 2019**

	Balance Outstanding October 1, 2018	Transactions During Fiscal Year Issued	Transactions During Fiscal Year Redeemed	Balance Outstanding September 30, 2019
DEFINITION AND PURPOSE				
<u>Other Long-Term Debt:</u>				
Generator	\$ -	\$ 41,660	\$ -	\$ 41,660
TOTAL	<u>\$ -</u>	<u>\$ 41,660</u>	<u>\$ -</u>	<u>\$ 41,660</u>

The accompanying notes are an integral part of these financial statements.

## **SPECIAL REPORTS**



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

Honorable Mayor and  
Members of the  
Board of Aldermen  
Raleigh, 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, business-type activities, and the aggregate remaining fund information of Town of Raleigh, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 31, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Raleigh, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town'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 significant deficiencies or material weaknesses 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 over financial reporting that we consider to be material weaknesses.

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 2019-001, 2019-002, and 2019-003, to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Raleigh, 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 of Raleigh's Responses to Findings

Town of Raleigh, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Town of Raleigh, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*

Herzog CPA Company, PLLC  
Hattiesburg, Mississippi  
December 31, 2020



# HERZOG CPA COMPANY, PLLC

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, the business-type activities and the major fund of the Town of Raleigh, Mississippi, as of and for year ended September 30, 2019, and have issued our report thereon dated December 31, 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 the 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 financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

2019-001. Finding

Significant Deficiency – Material Weakness

The Town did not record transactions in the general ledger for the Community Development Block Grant Bank Account or the Fire Equipment Bank Account. The fire equipment expenditures were also not approved by the Board.

Repeat Finding: No.

Criteria: The Town should establish procedures to ensure that all revenue and expenditures are included in the general ledger and approved by the Board.

Condition: All revenue and expenditures were not included in the general ledger, and all expenditures were not approved by the Board.



**Cause:** All of the revenue and expenditures for two bank accounts were not recorded and the fire equipment bank account expenditures were not included in the claims docket or approved by the Board.

**Effect:** The entries were made at the time of the audit. Therefore, there was no financial statement effect.

**Recommendation:** The Town should record all revenue and expenditures in the general ledger and the Board should approve all expenditures.

**View of Responsible Officials:** In the future, the Town will comply with the recommendation.

The Office of the State Auditor or a public accounting firm will review, on subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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.

*Herzog CPA Company, PLLC*

Herzog CPA Company, PLLC  
Hattiesburg, Mississippi  
December 31, 2020

## **SCHEDULE OF FINDINGS AND RESPONSES**



**TOWN OF RALEIGH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section 1: Summary of Auditors' Results**

***Financial Statements:***

**Section 1: Summary of Auditor's Results**

**1. Type of auditors' report issued on the financial statements:**

Governmental Activities	Unmodified
Business-Type Activities	Unmodified

**2. Internal Control over financial reporting:**

a. Material weakness identified?	Yes
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b. Significant deficiencies identified that are not considered to be a material weakness?	None Reported
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3. Noncompliance material to the financial statements?	No
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**TOWN OF RALEIGH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section 2: Financial Statement Findings**

**2019-001. Finding**

**Significant Deficiency - Material Weakness**

The Town did not record transactions in the general ledger for the Community Development Block Grant Bank Account or the Fire Equipment Bank Account. The fire equipment expenditures were also not approved by the Board.

**Repeat Finding:** No.

**Criteria:** The Town should establish procedures to ensure that all revenue and expenditures are included in the general ledger and approved by the Board.

**Condition:** All revenue and expenditures were not included in the general ledger, and all expenditures were not approved by the Board.

**Cause:** All of the revenue and expenditures for two bank accounts were not recorded and the fire equipment bank account expenditures were not included in the claims docket or approved by the Board.

**Effect:** The entries were made at the time of the audit. Therefore, there was no financial statement effect.

**Recommendation:** The Town should record all revenue and expenditures in the general ledger and the Board should approve all expenditures.

**View of Responsible Officials:** In the future, the Town will comply with the recommendation.

**TOWN OF RALEIGH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section 2: Financial Statement Findings**

**2019-002. Finding**

Significant Deficiency – Material Weakness

As reported in prior years, the Town is not in compliance with Section 7-7-211 of the Municipal Audit and Accounting Guide, as the fixed assets are not properly accounted for in the financial records. The Town does not maintain a fixed asset inventory listing, take a fixed asset inventory, or track fixed assets.

**Repeat Finding:** Yes, 2018-003.

**Criteria:** The Town should establish procedures to properly account for fixed assets.

**Condition:** The Town does not maintain a comprehensive fixed asset listing or track fixed assets.

**Cause:** The Town does not have the staff to prepare or maintain a fixed asset inventory.

**Effect:** The Town is not in compliance with Section 7-7-211.

**Recommendation:** The Town should comply with Section 7-7-211.

**View of Responsible Officials:** The Town will work to implement fixed asset procedures.

**2019-003. Finding**

Significant Deficiency – Material Weakness

As reported in prior years, the Town does not have a listing of meter deposit amounts.

**Repeat Finding:** Yes, 2018-005.

**Criteria:** The Town should establish procedures to develop a complete meter deposit listing.

**Condition:** The Town does not have a listing of meter deposit amounts.

**Cause:** The Town has not prepared a complete listing of meter deposits on hand.

**Effect:** The Town cannot provide a detailed list of meter deposits.

**Recommendation:** The Town should prepare a listing of meter deposit amounts.

**View of Responsible Officials:** In the future, the Town will comply with the recommendation.