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**TOWN OF LEAKESVILLE**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

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TOWN OF LEAKESVILLE

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**TOWN OF LEAKESVILLE**

**FINANCIAL SECTION**

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

### INDEPENDENT AUDITOR'S REPORT

Board of Aldermen  
Town of Leakesville

We have audited the financial statements of the Town of Leakesville as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Town of Leakesville's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town of Leakesville, 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.

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, each major fund and the aggregate remaining fund information of the Town of Leakesville as of September 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2007, on our consideration of Town of Leakesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Town of Leakesville has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**TOWN OF LEAKESVILLE**

**FINANCIAL STATEMENTS**

Town of Leakesville  
Statement of Activities and Net Assets - Cash Basis  
As of and For the Year Ended September 30, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Governmental Activities:							
General government	\$ 852,852	2,677	576,995		(273,180)		(273,180)
Public safety	270,900		121,692		(149,208)		(149,208)
Public works	249,394	58,168			(191,226)		(191,226)
Culture and recreation	65,709		3,479		(62,230)		(62,230)
Interest on long-term debt	1,465				(1,465)		(1,465)
Interest on short-term debt	4,063				(4,063)		(4,063)
Total Governmental Activities	<u>1,444,383</u>	<u>60,845</u>	<u>702,166</u>	<u>0</u>	<u>(681,372)</u>	<u>0</u>	<u>(681,372)</u>
Business-type activities:							
Water/Sewer	610,450	514,684		157,000		61,234	61,234
Interest on long-term debt	43,087					(43,087)	(43,087)
Total Business-type Activities	<u>653,537</u>	<u>514,684</u>	<u>0</u>	<u>157,000</u>	<u>0</u>	<u>18,147</u>	<u>18,147</u>
Total Government	\$ <u>2,097,920</u>	<u>575,529</u>	<u>702,166</u>	<u>157,000</u>	<u>(681,372)</u>	<u>18,147</u>	<u>(663,225)</u>
General Receipts:							
Taxes:							
Property taxes					\$ 127,305		127,305
Sales tax					275,287		275,287
Franchise taxes					59,984		59,984
Miscellaneous					115,676	5,552	121,228
Loan proceeds						7,050	7,050
Total General Receipts					<u>578,252</u>	<u>12,602</u>	<u>590,854</u>
Change in net assets					(103,120)	30,749	(72,371)
Net Assets - Beginning					<u>173,173</u>	<u>87,158</u>	<u>260,331</u>
Net Assets - Ending					\$ <u>70,053</u>	<u>117,907</u>	<u>187,960</u>

Town of Leakesville  
 Statement of Activities and Net Assets - Cash Basis  
 As of and For the Year Ended September 30, 2006

(Continued)

<b>ASSETS</b>	
Cash and cash equivalents	\$ 57,517
Restricted cash	130,443
Total Assets	<u>\$ 187,960</u>
<b>NET ASSETS</b>	
Restricted:	
Restricted for State Fire Insurance Rebate Program	\$ 29,293
Restricted for Hurricane Relief Sub-Grant	33,597
Restricted for water meter deposits	23,550
Restricted for Rural Development Loans	44,003
Unrestricted	57,517
Total Net Assets	<u>\$ 187,960</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, 2006**

	<u>Governmental Activities</u>			<u>Business-type</u>
	<u>Major Fund</u>		<u>Total</u>	<u>Activities</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>		<u>Water/Sewer Fund</u>
<b>RECEIPTS</b>				
Ad valorem taxes	\$ 114,248		114,248	
Road and bridge tax	34,934		34,934	
License and permits	2,677		2,677	
Franchise taxes on utilities	59,984		59,984	
Intergovernmental revenues:				
Federal revenues:				
FEMA	576,995		576,995	
Other grants	9,000	76,122	85,122	
State shared revenues:				
Sales taxes	275,287		275,287	
Gasoline tax	2,885		2,885	
Homestead exemption	13,057		13,057	
Fire insurance rebate	6,135	35,618	41,753	
Charges for services:				
Garbage	58,168		58,168	
Water and sewer utility				514,684
Fines and forfeits	32,884		32,884	
Interest income	592	592	1,184	2,961
Contributions from outside sources				
Miscellaneous revenue	42,083		42,083	100
Total Receipts	<u>1,228,929</u>	<u>112,332</u>	<u>1,341,261</u>	<u>517,745</u>
<b>DISBURSEMENTS</b>				
General government	565,425		565,425	
Public safety	222,049		222,049	
Public works	194,779		194,779	
Culture and recreation	57,461		57,461	
Water and sewer utility				
Personal services				176,788
Supplies				56,668
Utilities				47,878
Other services and charges				74,187
Total Disbursements	<u>1,039,714</u>	<u>0</u>	<u>1,039,714</u>	<u>355,521</u>
Excess of Receipts over (under) Disbursements	<u>189,215</u>	<u>112,332</u>	<u>301,547</u>	<u>162,224</u>

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, 2006

(Continued)

	Governmental Activities			Business-type
	Major Fund			Activities
	General Fund	Other Governmental Funds	Total	Water/Sewer Fund
<b>OTHER CASH SOURCES (USES)</b>				
Purchase of capital assets	(82,079)	(48,849)	(130,928)	
Capital outlay - improvements				(172,974)
Capital outlay - town water				157,000
Grant proceeds USDA-RUS				7,050
Bank loan proceeds				2,490
Meter refunds net of meter deposit collections				
Principal payments on lease-purchase				
Interest paid on lease-purchase				
Principal paid on bonds and notes	(268,211)		(268,211)	(81,954)
Interest paid on bonds and notes	(5,528)		(5,528)	(43,087)
Transfers out to other funds				
Transfers in from other funds				
Total Other Cash Sources and (Uses)	(355,818)	(48,849)	(404,667)	(131,475)
Excess (Deficiency) of Receipts and other cash sources over disbursements and other cash uses	(166,603)	63,483	(103,120)	30,749
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	172,603	570	173,173	87,158
<b>CASH BASIS FUND BALANCE - End of Year</b>	\$ 6,000	64,053	70,053	117,907
<b>CASH BASIS ASSETS - End of Year</b>				
Cash and cash equivalents	\$ 6,000	1,163	7,163	50,354
Restricted cash		62,890		67,553
Total Cash Basis Assets	\$ 6,000	64,053	7,163	117,907
<b>CASH BASIS FUND BALANCES - End of Year</b>				
Unreserved	\$ 6,000	64,053	70,053	117,907
Total Cash Basis Fund Balances	\$ 6,000	64,053	70,053	117,907

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, 2006

(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.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) 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 Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program receipts* include 1) charges to 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 revenues 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 government reports the following major Governmental Fund:

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.

Amounts reported as *program cash receipts* include 1) charges to 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 revenues* rather than as program revenues.

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.

TOWN OF LEAKESVILLE

Notes to Financial Statements  
For the Year Ended September 30, 2006

D. Assets and Net Assets or Equity.

1. *Deposits.*

The carrying amount of the town's total deposits with financial institutions at September 30, 2006, was \$187,720, and the bank balance was \$205,206. 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 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.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of the 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 that 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 behalf of the town.

2. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(2) 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 7.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 11.30% 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, 2006, 2005 and 2004 were \$41,400, \$29,013, and \$35,640, respectively, which is equal to the required contributions for each year.

**TOWN OF LEAKESVILLE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Leakesville**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2006**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Tax levy	\$ 104,213	104,213	114,247	10,034
Sales tax	268,000	268,000	275,287	7,287
Other general fund	154,690	154,690	839,396	684,706
Total Receipts	<u>526,903</u>	<u>526,903</u>	<u>1,228,930</u>	<u>702,027</u>
<b>EXPENDITURES</b>				
Judicial	52,980	27,980	23,485	4,495
Executive	40,254	40,254	38,603	1,651
Financial administrative	141,272	139,772	796,121	(656,349)
Police	190,000	199,200	211,114	(11,914)
Fire Department	25,400	25,400	10,935	14,465
Streets	112,330	184,330	249,394	(65,064)
Parks & Recreation	33,950	33,950	59,014	(25,064)
Library	8,700	8,700	6,867	1,833
Total Expenditures	<u>604,886</u>	<u>659,586</u>	<u>1,395,533</u>	<u>(735,947)</u>
Excess of Receipts over (under) Expenditures	<u>(77,983)</u>	<u>(132,683)</u>	<u>(166,603)</u>	<u>(33,920)</u>
Net Change in Fund Balance	(77,983)	(132,683)	(166,603)	(33,920)
Fund Balances - Beginning	<u>88,000</u>	<u>88,000</u>	<u>172,603</u>	
Fund Balances - Ending	\$ <u>10,017</u>	<u>(44,683)</u>	<u>6,000</u>	<u>(33,920)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

TOWN OF LEAKESVILLE

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2006

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.

**TOWN OF LEAKESVILLE**

**OTHER SUPPLEMENTARY INFORMATION**

**Town of Leakesville  
Schedule of Changes in Long-term Debt  
For the Year Ended September 30, 2006**

<u>Description</u>	<u>Outstanding Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2006</u>
General Obligation Bonds				
Public Improvement Bonds	\$ 2,500		2,500	
Other long-term debt				
Note Payable First State Bank 2001	8,248		8,248	
Note Payable First State Bank 2005	25,750		8,194	17,556
Capital Leases				
Copier	4,661		1,769	2,892
Enterprise Fund Debt				
Rural Water System Revenue Bond	133,137		6,099	127,038
Capital Improvement Loan	411,885		55,320	356,565
Capital Improvement Loan	426,775		18,035	408,740
Combined Water and Sewer System Revenue Bonds	156,600			156,600
Compensated Absences Payable	13,903			13,903
Total	\$ <u>1,183,459</u>	<u>0</u>	<u>100,165</u>	<u>1,083,294</u>

**Town of Leakesville  
Schedule of Changes in Short-term Debt  
For the Year Ended September 30, 2006**

<u>Description</u>	<u>Outstanding Balance Oct. 1, 2005</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2006</u>
Short-term Debt				
Note Payable First State Bank 2005	\$ 250,000		250,000	
Date of issue: 9/1/2005				
Name of issue: Hurricane Katrina Repair to Infrastructure Town of Leakesville				
Maturity date: 2/28/2006 (180 Days)				
Interest rate: 5.00%				
Issue price: \$250,000				
Short-term Debt				
Note Payable First State Bank 8/3/2006		7,050		7,050
Date of issue: 8/3/2006				
Name of issue: Account 8512485				
Maturity date: 1/30/2007 (180 Days)				
Interest rate: 5.75%				
Issue price: \$7,050				
<b>Total</b>	<b>\$ 250,000</b>	<b>7,050</b>	<b>250,000</b>	<b>7,050</b>

**Town of Leakesville**  
**Schedule of Surety Bonds for Municipal Officials and Employees**  
**September 30, 2006**

<b>Position</b>	<b>Surety</b>	<b>Bond Amount</b>	
Alderman	MS Municipal Bond Program	\$ 25,000	Each
Mayor	MS Municipal Bond Program	\$ 25,000	
Town Clerk	St. Paul	\$ 50,000	
Deputy Town Clerk	St. Paul	\$ 10,000	
Court Clerk	St. Paul	\$ 10,000	
Police Chief	St. Paul	\$ 50,000	
Police Officer	St. Paul	\$ 25,000	

Town of Leakesville  
 Schedule of Expenditures of Federal Awards  
 September 30, 2006

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b><u>Major Programs:</u></b>				
Department of Homeland Security Disaster Grants-Public Assistance	97.036	70-0702-0-1-453	70-0702-0-1-453	\$ 341,694
Total Major Programs				<u>341,694</u>
<b><u>Non-Major Programs:</u></b>				
Rural Utilities Service, Dept. of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	12-0400-0-1-452	12-0400-0-1-452	157,296
National Park Service Outdoor Recreation Acquisition, Development and Planning	15.916	14-5035-0-2-303	14-5035-0-2-303	3,479
Department of Justice Edward Byrne Memorial Justice Assistance Grant Program	16.378	2006-DH-BX-0438	2006-DH-BX-0438	76,122
Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004	05HS229	05HS229	5,521
United States Department of Agriculture Natural Resources Conservation Service Emergency Watershed Protection Program	10 DSR No. :280410501	DSR No. :280410501	DSR No. :280410501	<u>78,000</u>
Total Non-Major Programs				<u>320,418</u>
Total Major and Non-Major Programs				\$ <u><u>662,112</u></u>

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Leakesville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**TOWN OF LEAKESVILLE**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Board of Aldermen  
Town of Leakesville, Mississippi

We have audited the financial statements of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated July 16, 2007. We conducted our audit in accordance with 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Leakesville, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Leakesville, Mississippi's basic government 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*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
July 16, 2007

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Pearl, MS 39208  
(601)939-8676

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Aldermen  
Town of Leakesville, Mississippi

### Compliance

We have audited the compliance of Town of Leakesville, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Town of Leakesville, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Leakesville, Mississippi's management. Our responsibility is to express an opinion on Town of Leakesville, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Leakesville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Leakesville, Mississippi's compliance with those requirements.

In our opinion, Town of Leakesville, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

### Internal Control Over Compliance

The management of Town of Leakesville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Leakesville, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
July 16, 2007

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Board of Aldermen  
Town of Leakesville, Mississippi

We have audited the financial statements of the Town of Leakesville, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated July 16, 2007. We conducted our audit in accordance with 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.

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 basic financial statements disclosed the following instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are as follows:

### Finding

The budget was not amended resulting in expenditures in excess of budget.

### Recommendation

The budget and expenditures should be reviewed and amended as required by state law.

### Response

The 2006 budget was amended to change appropriations within the budget that changed during the fiscal year. To amend a budget to reflect receipts of emergency funds and the expenditures thereof would be an exercise to merely make a budget appear to balance. The emergency fund reimbursements to the Town were expended to pay the cost incurred by the Town with the cleanup efforts caused by Katrina. The specific items that were paid from the funds did not appear on the Town budget for fiscal year 2006.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
July 16, 2007

**TOWN OF LEAKESVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

TOWN OF LEAKESVILLE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

*Financial Statements:*

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                        | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                        | No          |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weaknesses identified?   | No          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No          |

*Federal Awards:*

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
| a.  | Material weaknesses identified?  | No          |
| b.  | Reportable conditions identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:<br><br>Department of Homeland Security, Disaster Grants-Public Assistance,<br>CFDA 97.036   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

TOWN OF LEAKESVILLE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.