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TOWN OF DeKALB, MISSISSIPPI

Audited Financial Statements
For the Year Ended September 30, 2014

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TOWN OF DeKALB, MISSISSIPPI
Audited Financial Statements
For the Year Ended September 30, 2014

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FINANCIAL SECTION

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Alderpersons
Town of DeKalb, Mississippi

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the 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 described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 as described in Note 1 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 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 auditors consider 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 opinions.

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Opinion

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 DeKalb, Mississippi, as of September 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of DeKalb's basis financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

The Schedule of Surety Bonds for the Town of DeKalb, Mississippi has 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 it.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, on our consideration of the Town of DeKalb, 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 the Town of DeKalb's internal control over financial reporting and compliance.

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Emphasis of Matter

As discussed in Note 1, the Town of DeKalb, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
June 8, 2016

Watkins Ward and Stafford, PLLC

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BASIC FINANCIAL STATEMENTS

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TOWN OF DeKALB, MISSISSIPPI
Statements of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2014

Functions/Programs	Cash Disbursements	Program Cash Receipts: Charges for Services	Program Cash Receipts: Operating Grants and Contributions	Program Cash Receipts: Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position, Primary Government: Governmental Activities	Net (Disbursements) Receipts and Changes in Net Position, Primary Government: Business-Type Activities	Net (Disbursements) Receipts and Changes in Net Position, Primary Government: Total
Primary Government:							
Governmental activities:							
General government	$ 147,128	$	$ 3,763	$	$ (143,365)	$	$ (143,365)
Public safety	263,952	30,963	19,168		(213,821)		(213,821)
Court	36,734				(36,734)		(36,734)
Highways and streets	54,000				(54,000)		(54,000)
Sanitation	43,223	40,771			(2,452)		(2,452)
Culture and recreation	19,277				(19,277)		(19,277)
Economic development	63,280		28,280		(35,000)		(35,000)
Principal and interest on long-term debt	14,819				(14,819)		(14,819)
Total governmental activities	642,413	71,734	51,211		(519,468)		(519,468)
Business-type activities:							
Water and sewer	381,505	353,265				(28,240)	(28,240)
Total business-type activities	381,505	353,265				(28,240)	(28,240)
Total primary government	$ 1,023,918	$ 424,999	$ 51,211		$ (519,468)	$ (28,240)	$ (547,708)
General receipts:							
Taxes:							
Property taxes					215,694		215,694
Sales and use taxes					251,899		251,899
Other taxes					3,104		3,104
Licenses and permits					3,710		3,710
Unrestricted investment income					32	210	242
Water deposit receipts						3,260	3,260
Miscellaneous					12,175	851	13,026
Total General Revenues					486,614	4,321	490,935
Change in net position					(32,854)	(23,919)	(56,773)
Net position as beginning of year					87,883	158,865	246,748
Net position at end of year					$ 55,029	$ 134,946	$ 189,975

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

TOWN OF DeKALB, MISSISSIPPI
Statements of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 55,029	$ 113,464	$ 168,493
Restricted cash		21,482	21,482
Total assets	$ 55,029	$ 134,946	$ 189,975
Net Position:			
Restricted:			
Restricted for meter deposits	$	$ 21,482	$ 21,482
Unrestricted	55,029	113,464	168,493
Total net position	$ 55,029	$ 134,946	$ 189,975

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

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TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
For the Year Ended September 30, 2014

	Governmental Activities			Business-type Activities	
	Major Fund				
	General Fund	Other Govermental Fund	Total	Water Fund	Total
RECEIPTS					
Taxes - Ad valorem	$ 211,304	$	$ 211,304	$	$
Penalties and interest on delinquent taxes	4,390		4,390		
Licenses and permits	3,710		3,710		
Intergovernmental revenues	277,934	28,280	306,214		
Charges for services:					
Sanitation	40,771		40,771		
Water and sewer				353,265	353,265
Fines and forfeitures	30,963		30,963		
Interest	32		32	210	210
Rental income	12,465		12,465		
Other	561		561	3,260	3,260
Total Receipts	$ 582,130	$ 28,280	$ 610,410	$ 356,735	$ 356,735

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
For the Year Ended September 30, 2014

	Governmental Activities			Business-type Activities	
	Major Fund				
	General Fund	Other Governmental Fund	Total	Water Fund	Total
DISBURSEMENTS					
General government	$ 147,128	$	$ 147,128	$	$
Public safety	263,952		263,952		
Court	36,734		36,734		
Highways and streets	54,000		54,000		
Sanitation	43,223		43,223		
Culture and recreation	19,277		19,277		
Economic development	35,000	28,280	63,280		
Enterprise:					
Water and sewer				381,505	381,505
Interest on loans	3,379		3,379		
Total Disbursements	602,693	28,280	630,973	381,505	381,505
Deficiency of receipts under disbursements	(20,563)		(20,563)	(24,770)	(24,770)
OTHER CASH SOURCES (USES)					
Debt repaid	(11,440)		(11,440)		
Transfer in				851	851
Transfer out		(851)	(851)		
Total other cash sources (uses)	(11,440)	(851)	(12,291)	851	851
Deficiency of receipts and other cash sources under disbursements and other cash uses	(32,003)	(851)	(32,854)	(23,919)	(23,919)
CASH BASIS FUND BALANCE - Beginning of year	87,032	851	87,883	158,865	158,865
CASH BASIS FUND BALANCE - End of year	$ 55,029	$	$ 55,029	$ 134,946	$ 134,946
CASH BASIS ASSETS - End of year					
Cash and cash equivalents	$ 55,029	$	$ 55,029	$ 113,464	$ 113,464
Restricted cash				21,482	21,482
Total cash basis assets	$ 55,029	$	$ 55,029	$ 134,946	$ 134,946
CASH BASIS FUND BALANCES - End of year					
Restricted for meter deposits				21,482	21,482
Unrestricted	55,029		55,029	113,464	113,464
Total cash basis fund balances	$ 55,029	$	$ 55,029	$ 134,946	$ 134,946

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

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Note 1 – Summary of Significant Accounting Policies

The Town of DeKalb, Mississippi, was incorporated in 1910. The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

a) Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

- Statements of Activities and Net Position – Cash Basis
- Statements of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. As a general rule, 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 statements of activities demonstrate 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 within 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 as general receipts.

b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental fund:

General Fund – This is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

Additionally, the Town reports the following fund type:

Governmental Funds

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

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town's enterprise fund consists of the Town of DeKalb Water and Sewer Department.

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.

c) Assets and Net Assets or Equity

1. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit with less than a three month maturity when acquired.

2. Net Assets

The Town's government-wide net assets are divided into the following components:

Restricted net assets – consist of net assets that are restricted by the Town's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

Unrestricted net assets – all other net assets are reported in this category.

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Note 2 – Cash and Cash Equivalents

Cash is comprised of the following at September 30, 2014:

	Cash and Cash Equivalents	Restricted Cash	Total
Governmental activities:			
General Fund	$ 55,029	$	$ 55,029
Total Governmental Activities	55,029		55,029
Business-type activities:			
Water and Sewer Fund	113,464	21,482	134,946
Total Business-type Activities	113,464	21,482	134,946
Government Wide Total	$ 168,493	$ 21,482	$ 189,975

The carrying amounts of the Town's deposits with financial institutions at September 30, 2014, are summarized as follows:

	Reported Amount	Bank Balance
Cash	$ 35,229	$ 42,833
Certificates of deposit	154,746	155,549
Total Deposits	$ 189,975	$ 198,382

Of the bank balance, $198,382 was covered by Federal depository insurance.

Custodial Credit Risk – Deposits. Custodial credit risk is a 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 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 behalf of the Town. As of September 30, 2014, none of the Town's bank balance of $198,382 was exposed to custodial credit risk.

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

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

Note 2 – Cash and Cash Equivalents (Continued)

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had no investments as of September 30, 2014.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2014, the Town had no investments.

Following is a list of the Town's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

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

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

The collateral for public entities' deposits in financial institutions is now 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.

Note 3 – Property Tax

The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Kemper County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2014, were approximately 105% of the total tax levy.

The tax rate levied by the Town for fiscal year 2014 was set at 33.00 mills. The Town allocated the property tax per $100 of assessed value for the year as follows:

General Fund	$3.30

Note 4 – Defined Benefit Pension Plan

Public Employees' Retirement System

Plan Description and Provisions – The Town of DeKalb, 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 of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

Plan Funding Policy – PERS members were required to contribute 9% of their annual covered salary for fiscal year 2014. The Town of DeKalb, Mississippi is required to contribute at an actuarially determined rate. This rate was 15.75% of annual covered payroll for the fiscal year ended September 30, 2014. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Contributions Made – The Town of DeKalb, Mississippi's contributions to PERS for the years ended September 30, 2014, 2013, and 2012 were $61,316, $62,013 and $50,920, respectively.

Note 5 – Contingencies

Federal Grants – In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 6 – 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 risks of loss other than workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current fiscal year or prior two fiscal years.

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Note 7 – 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 DeKalb evaluated the activity of the Town through June 8, 2016 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

The Town of DeKalb entered into an Inter-local Cooperation Agreement with Kemper County dated April 19, 2016, whereas Kemper County will provide all police protection and law enforcement services for the Town of DeKalb for an annual fee of $80,000. The term of the agreement is April 1, 2016 to March 31, 2017, renewable annually. The Town of DeKalb will transfer title to certain personal property and title to five (5) law enforcement vehicles to the County. This agreement was approved by the Attorney General of the State of Mississippi.

SUPPLEMENTAL AND OTHER INFORMATION

TOWN OF DeKALB, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Taxes - ad valorem	$ 211,100	$ 225,193	$ 211,304	$ (13,889)
Penalties and interest	750	4,250	4,390	140
Licenses and permits	7,100	7,100	3,710	(3,390)
Intergovermental revenues	279,642	280,899	277,934	(2,965)
Charges for services	40,000	40,000	40,771	771
Fines and forfeitures	50,000	28,000	30,963	2,963
Interest	850	850	32	(818)
Miscellaneous	21,700	22,260	13,026	(9,234)
Total receipts	611,142	608,552	582,130	(26,422)
Expenditures:				
General Government	$ 146,474	$ 160,100	$ 161,947	$ (1,847)
Public safety	304,554	304,324	300,686	3,638
Public works	67,162	55,005	54,000	1,005
Sanitation	44,728	43,228	43,223	5
Culture and recreation	12,524	19,404	19,277	127
Ecomonic development	35,700	35,700	35,000	700
Total expenditures	611,142	617,761	614,133	3,628
Deficiency of receipts under expenditures		(9,209)	(32,003)	(22,794)
Net Change in Fund Balance		(9,209)	(32,003)	(22,794)
Cash Basis Fund Balance - Beginning	87,032	87,032	87,032	
Cash Basis Fund Balance - Ending	$ 87,032	$ 77,823	$ 55,029	$ (22,794)

Schedule I

TOWN OF DeKALB, MISSISSIPPI
Schedule of Investments - All Funds
September 30, 2014

		Deposit Amount
Certificate of Deposit with The Citizens Bank Maturing 10/25/14, Rate .15%	$	29,781
Certificate of Deposit with The Citizens Bank Maturing 3/15/15, Rate .15%		25,115
Certificate of Deposit with The Citizens Bank Maturing 12/12/14, Rate .15%		26,849
Certificate of Deposit with The Citizens Bank Maturing 11/8/14, Rate .15%		20,000
Certificate of Deposit with The Citizens Bank Maturing 12/12/14, Rate .15%		21,674
Certificate of Deposit with The Citizens Bank Maturing 2/25/15, Rate .15%		31,327
	$	154,746
Fund Recap:		
General Fund	$	29,781
Water and Sewer Fund		124,965
	$	154,746

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Schedule II

TOWN OF DeKALB, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2014

Note:	Balance Outstanding 10/1/2013	Issued	Redeemed	Balance Outstanding 9/30/2014
Building note payable to The Commercial Bank dated April 11, 2008, due in monthly installments of $1,234.94 for a period of 10 years at 7% interest, maturing April 15, 2018	$ 57,047	$	$ (11,440)	$ 45,607
Total	$ 57,047	$	$ (11,440)	$ 45,607

Schedule III

TOWN OF DeKALB, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2014

Name	Position	Surety	Bond Amount
Homer Hall, Jr	Mayor	Travelers	$ 50,000
Keith Barnes	Alderperson	Travelers	25,000
Mary Donald	Alderperson	Travelers	25,000
Tracy Naylor	Alderperson	Travelers	25,000
Mamie Alexander	Alderperson	Travelers	25,000
Frank Dean	Alderperson	Travelers	25,000
Steven Jackson	Chief of Police	Western Surety	50,000
Amy Smith	Town Clerk	Western Surety	50,000
Brenda Nelson	Municipal Court Clerk	Western Surety	50,000
Brenda Nelson	Deputy Clerk	Western Surety	50,000
Charles Barrett	Part-time Clerk	Western Surety	50,000

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

WATKINS, WARD and STAFFORD
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Board of Alderpersons
Town of DeKalb, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America as described in Note 1 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements and have issued our report thereon dated June 8, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of DeKalb, Mississippi's internal control over financial reporting (internal control) 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 of DeKalb, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of DeKalb, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, 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 deficiency described in the accompanying schedule of findings as Finding 14-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings as Findings 14-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of DeKalb, Mississippi's financial statements are free from 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 DeKalb, Mississippi's Response to Findings

Town of DeKalb, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of DeKalb, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.

Philadelphia, Mississippi
June 8, 2016

Watkins Ward and Stafford, PLLC

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TOWN OF DeKALB, MISSISSIPPI
Schedule of Findings
For the Year Ended September 30, 2014

Material Weakness

Bank Statements Should Be Reconciled To The General Ledger

14-01 Finding

Management is responsible for ensuring that all assets of the Town are properly safeguarded. Proper internal control requires that bank accounts be reconciled to the general ledger on a monthly basis. The reconciliation process enables the Town Office to make adjusting entries to correct any mistakes in the Town's financial records.

During our tests of bank reconciliations, we noted that monthly reconciled balances were not compared to the general ledger balance, which resulted in unexplained variances between the reconciled balance and the general ledger balance. This resulted in variances that were not being resolved within a timely manner, which could result in inaccurate reporting of financial condition of the Town.

Recommendation

We recommend the Town implement policies and procedures to ensure all bank reconciliations are compared to the general ledger balances on a monthly basis and that any variances be identified and corrected immediately.

Response

The Town will implement policies and procedures to ensure all bank reconciliations are compared to the general ledger balances on a monthly basis and that any variances be identified and corrected immediately.

Significant Deficiencies Not Considered To Be Material Weaknesses

Payroll Expenditures Should Be Supported By Adequate Documentation

14-02 Finding

Management is responsible for ensuring that all payroll expenditures made by the Town are adequately documented.

During our tests of internal controls related to payroll expenditures, we noted the following:

- Timesheets for three out of eighteen employees tested were not available to support the payroll expenditures.
- Five out of fifteen timesheets tested were not approved by management.

The lack of internal controls surrounding payroll expenditures resulted in payments to non-exempt personnel being processed without adequate documentation and made it impossible to determine if employees were being compensated for proper amounts.

Recommendation

We recommend the Town maintain adequate records for all non-exempt personnel to support expenditures and that management approve timesheets for their employees prior to payment.

Response

The Town will maintain adequate records for all non-exempt personnel to support expenditures, and management will approve timesheets for its employees prior to payment.

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INDEPEDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderpersons
Town of DeKalb
DeKalb, Mississippi

We have audited the cash-basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements and have issued our report thereon dated June 8, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as described in Note 1.

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. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding

The Town did not require supporting documentation of travel related expenses for official travel. Section 25-3-41 of the Mississippi Code requires that travel expenses must be documented.

Recommendation

The Town should require invoices or similar support for reimbursement of expenses other than meals and travel by private motor vehicle. Additionally, all reimbursed expenses should be defined on a claim form similar to the Department of Finance and Administration's form "Travel Voucher."

Response

The Town will implement a policy requiring all official travel to be documented with supporting expense reports.

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Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), towns with elected officials who are PERS service retirees to file PERS Form 9C "County/Municipal Elected Official Reemployment Acknowledgement/Election" with the PERS office within five days of each fiscal year of re-employment of the retiree. The Town did not have a Form 9C on file for an elected official who is a PERS retiree.

Recommendation

The Town should implement procedures to ensure that the Town follows the provisions of Section 25-11-127, Miss. Code Ann. (1972).

Response

The Town will implement procedures to ensure that the Town follows the provisions of Section 25-11-127, Miss. Code Ann. (1972).

This report is intended for the information of the Town of DeKalb, Mississippi's 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.

Philadelphia, Mississippi
June 8, 2016

Watkins Ward and Stafford, PLLC