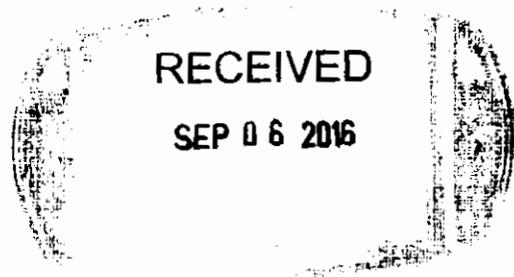




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TOWN OF DeKALB, MISSISSIPPI

**Audited Financial Statements
For the Year Ended September 30, 2015**



TOWN OF DeKALB, MISSISSIPPI
Audited Financial Statements
For the Year Ended September 30, 2015

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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. Stagers, 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, 2015, and related notes to 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.

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, 2015, 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 basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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*

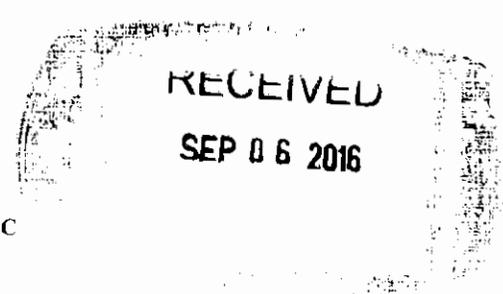
In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2016, on our consideration of the Town of DeKalb, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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.

Philadelphia, Mississippi
August 10, 2016

Watkins Ward and Stafford, PLLC



BASIC FINANCIAL STATEMENTS

TOWN OF DEKALB, MISSISSIPPI
Statements of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2015

Functions/Programs	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 127,402	\$ 13,740	\$ 4,072	\$ -	\$ (123,330)	\$ -	\$ (123,330)
Public safety	252,074		6,334		(231,991)		(231,991)
Court	40,252				(40,252)		(40,252)
Highways and streets	38,539				(38,539)		(38,539)
Sanitation	43,479	39,813			(3,666)		(3,666)
Culture and recreation	7,543				(7,543)		(7,543)
Economic development	44,887		31,415		(13,472)		(13,472)
Principal and interest on long-term debt	14,819				(14,819)		(14,819)
Total governmental activities	\$ 568,995	\$ 53,562	\$ 41,821		\$ (473,612)		\$ (473,612)
Business-type activities:							
Water and sewer	391,903	369,309				(22,594)	(22,594)
Total business-type activities	391,903	369,309				(22,594)	(22,594)
Total primary government	\$ 960,898	\$ 422,871	\$ 41,821		\$ (473,612)	\$ (22,594)	\$ (496,206)
General receipts:							
Taxes:							
Property taxes					229,026		229,026
Sales and use taxes					232,956		232,956
Other taxes					1,976		1,976
Licenses and permits					3,450		3,450
Unrestricted investment income					63	137	200
Water deposit receipts						2,460	2,460
Miscellaneous					33,073		33,073
Transfers					10,472	(10,472)	-
Total General Revenues					511,016	(7,875)	503,141
Change in net position					37,404	(30,469)	6,935
Net position at beginning of year, as previously reported					55,029	134,946	189,975
Prior period adjustment					310	493	803
Net position at beginning of year, as restated					55,339	135,439	190,778
Net position at end of year					92,743	104,970	197,713

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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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 92,743	\$ 83,758	\$ 176,501
Restricted cash		21,212	21,212
Total assets	\$ 92,743	\$ 104,970	\$ 197,713
Net Position:			
Restricted:			
Restricted for meter deposits	\$	\$ 21,212	\$ 21,212
Unrestricted	92,743	83,758	176,501
Total net position	\$ 92,743	\$ 104,970	\$ 197,713

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, 2015

	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>Major Fund</u>		<u>Total</u>	<u>Water Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Weather Siren Grant Fund</u>			
RECEIPTS					
Taxes - Ad valorem	\$ 224,806	\$	\$ 224,806	\$	\$
Penalties and interest on delinquent taxes	4,219		4,219		
Licenses and permits	3,450		3,450		
Intergovernmental revenues	245,338	31,415	276,753		
Charges for services:					
Sanitation	39,813		39,813		
Water and sewer				369,309	369,309
Fines and forfeitures	13,749		13,749		
Interest	63		63	137	137
Rental income	25,750		25,750		
Other	7,323		7,323	2,460	2,460
Total Receipts	<u>\$ 564,511</u>	<u>\$ 31,415</u>	<u>\$ 595,926</u>	<u>\$ 371,906</u>	<u>\$ 371,906</u>

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, 2015

	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>Major Fund</u>			<u>Water</u> <u>Fund</u>	<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>Weather</u> <u>Siren Grant</u> <u>Fund</u>	<u>Total</u>		
DISBURSEMENTS					
General government	\$ 142,764	\$	\$ 142,764	\$	\$
Public safety	252,074		252,074		
Court	40,252		40,252		
Highways and streets	38,539		38,539		
Sanitation	43,479		43,479		
Culture and recreation	7,543		7,543		
Economic development	3,000	41,887	44,887		
Enterprise:					
Water and sewer				391,903	391,903
Interest on loans	1,875		1,875		
Total Disbursements	<u>529,526</u>	<u>41,887</u>	<u>571,413</u>	<u>391,903</u>	<u>391,903</u>
Excess (deficiency) of receipts over (under) disbursements	<u>34,985</u>	<u>(10,472)</u>	<u>24,513</u>	<u>(19,997)</u>	<u>(19,997)</u>
OTHER CASH SOURCES (USES)					
Insurance recoveries	15,363		15,363		
Debt repaid	(12,944)		(12,944)		
Transfer in		48,543	48,543	38,071	38,071
Transfer out		(38,071)	(38,071)	(48,543)	(48,543)
Total other cash sources (uses)	<u>2,419</u>	<u>10,472</u>	<u>12,891</u>	<u>(10,472)</u>	<u>(10,472)</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	<u>37,404</u>		<u>37,404</u>	<u>(30,469)</u>	<u>(30,469)</u>
CASH BASIS FUND BALANCE -					
Beginning of year, as previously reported	55,029		55,029	134,946	134,946
Prior period adjustment	310		310	493	493
Beginning of year, as restated	<u>55,339</u>		<u>55,339</u>	<u>135,439</u>	<u>135,439</u>
CASH BASIS FUND BALANCE -					
End of year	<u>\$ 92,743</u>	<u>\$</u>	<u>\$ 92,743</u>	<u>\$ 104,970</u>	<u>\$ 104,970</u>
CASH BASIS ASSETS - End of year					
Cash and cash equivalents	\$ 92,743	\$	\$ 92,743	\$ 83,758	\$ 83,758
Restricted cash				21,212	21,212
Total cash basis assets	<u>\$ 92,743</u>	<u>\$</u>	<u>\$ 92,743</u>	<u>\$ 104,970</u>	<u>\$ 104,970</u>
CASH BASIS FUND BALANCES -					
End of year					
Restricted for meter deposits				21,212	21,212
Unrestricted	92,743		92,743	83,758	83,758
Total cash basis fund balances	<u>\$ 92,743</u>	<u>\$</u>	<u>\$ 92,743</u>	<u>\$ 104,970</u>	<u>\$ 104,970</u>

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

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

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.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

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.

Weather Siren Grant Fund – This special revenue fund accounts for a grant to be used for acquiring a weather siren for the Town.

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.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 2 – Cash and Cash Equivalents

Cash is comprised of the following at September 30, 2015:

	Cash and Cash Equivalents	Restricted Cash	Total
Governmental activities:			
General Fund	\$ 92,743	\$ _____	\$ 92,743
Total Governmental Activities	92,743	_____	92,743
Business-type activities:			
Water and Sewer Fund	83,758	21,212	104,970
Total Business-type Activities	83,758	21,212	104,970
Government Wide Total	\$ 176,501	\$ 21,212	\$ 197,713

The carrying amounts of the Town's deposits with financial institutions at September 30, 2015, are summarized as follows:

	Reported Amount	Bank Balance
Cash	\$ 77,544	\$ 84,800
Certificates of deposit	120,169	120,169
Total Deposits	\$ 197,713	\$ 204,969

Of the bank balance, \$204,969 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, 2015, none of the Town's bank balance of \$204,969 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.

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TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

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, 2015.

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, 2015, 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, 2015, were approximately 105% of the total tax levy.

The tax rate levied by the Town for fiscal year 2015 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
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TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 4 – Defined Benefit Pension Plan

Public Employees' Retirement System

Plan Description – 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.

Funding Policy – PERS members were required to contribute 9.00% of their annual covered salary for fiscal year 2015. 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, 2015. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of DeKalb, Mississippi's contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$62,537, \$61,316 and \$62,013, respectively.

Pension Liability – At September 30, 2015, the Town of DeKalb had a liability of \$999,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of its long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.006468 percent.

Note 5 – Prior Period Adjustments

In 2015, the Town of DeKalb made a prior period adjustment of \$310 in the General Fund and \$493 in the Water Sewer Fund to record interest income on certificates of deposits earned in prior years. This prior period adjustments are presented in the Statement of Activities and Net Position – Cash Basis and the Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances.

Note 6 – 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 7 – 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.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 7 – Risk Management (Continued)

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.

Note 8 – Insurance Loss Recoveries

The Town of DeKalb received \$15,363 in insurance loss recoveries related to damaged equipment during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of general government expenditures in the General Fund.

Note 9 – 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 August 10, 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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Amounts)</u>	<u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Receipts:				
Taxes - ad valorem	\$ 222,700	\$ 222,700	\$ 224,806	\$ 2,106
Penalties and interest	2,000	2,000	4,219	2,219
Licenses and permits	6,900	6,900	3,450	(3,450)
Intergovernmental revenues	282,186	282,186	245,338	(36,848)
Charges for services	40,000	40,000	39,813	(187)
Fines and forfeitures	30,000	30,000	13,749	(16,251)
Interest	100	100	63	(37)
Rental Income	21,700	21,700	25,750	4,050
Other			7,323	7,323
Total receipts	<u>605,586</u>	<u>605,586</u>	<u>564,511</u>	<u>(41,075)</u>
Disbursements:				
General government	\$ 171,334	\$ 180,624	\$ 142,764	\$ 37,860
Public safety	274,905	270,358	252,074	18,284
Court	38,779	43,742	40,252	3,490
Highways and streets	66,880	54,419	38,539	15,880
Sanitation	44,728	46,983	43,479	3,504
Culture and recreation	7,800	8,300	7,543	757
Economic development	3,700	3,700	3,000	700
Interest on loans			1,875	(1,875)
Total disbursements	<u>608,126</u>	<u>608,126</u>	<u>529,526</u>	<u>78,600</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,540)</u>	<u>(2,540)</u>	<u>34,985</u>	<u>37,525</u>
Other Cash Sources (Uses):				
Insurance recoveries			15,363	15,363
Debt repaid			(12,944)	(12,944)
Total Other Cash Sources (Uses)			<u>2,419</u>	<u>2,419</u>
Net Change in Fund Balance	<u>(2,540)</u>	<u>(2,540)</u>	<u>37,404</u>	<u>39,944</u>
Cash Basis Fund Balance - Beginning, as previously reported	55,029	55,029	55,029	
Prior period adjustment			310	310
Cash Basis Fund Balance - Beginning, as restated	<u>55,029</u>	<u>55,029</u>	<u>55,339</u>	<u>310</u>
Cash Basis Fund Balance - Ending	<u>\$ 52,489</u>	<u>\$ 52,489</u>	<u>\$ 92,743</u>	<u>\$ 40,254</u>

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Schedule I

TOWN OF DeKALB, MISSISSIPPI
Schedule of Investments - All Funds
September 30, 2015

	<u>Deposit Amount</u>
Certificate of Deposit with The Citizens Bank Maturing 10/26/15, Rate .15%	\$ 15,125
Certificate of Deposit with The Citizens Bank Maturing 10/5/15, Rate .15%	10,000
Certificate of Deposit with The Citizens Bank Maturing 3/9/16, Rate .15%	25,646
Certificate of Deposit with The Citizens Bank Maturing 2/20/16, Rate .15%	31,327
Certificate of Deposit with The Citizens Bank Maturing 10/7/15, Rate .15%	<u>38,071</u>
	<u>\$ 120,169</u>
Fund Recap:	
General Fund	\$ 25,125
Water and Sewer Fund	<u>95,044</u>
	<u>\$ 120,169</u>

TOWN OF DeKALB, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2015

Note:	Balance Outstanding 10/1/2014	Issued	Redeemed	Balance Outstanding 9/30/2015
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	\$ 45,607	\$ _____	\$ (12,944)	\$ 32,663
Total	\$ <u>45,607</u>	\$ <u>_____</u>	\$ <u>(12,944)</u>	\$ <u>32,663</u>

Schedule III

**TOWN OF DeKALB, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Homer Hall, Jr	Mayor	Travelers	\$ 50,000
Keith Barnes	Aldersperson	Travelers	25,000
Mary Donald	Aldersperson	Travelers	25,000
Tracy Naylor	Aldersperson	Travelers	25,000
Mamie Alexander	Aldersperson	Travelers	25,000
Frank Dean	Aldersperson	Travelers	25,000
Steven Jackson	Chief of Police	Western Surety	50,000
Brenda Nelson	Town Clerk	Western Surety	50,000
Brenda Nelson	Municipal Court Clerk	Western Surety	50,000
Ruby Rush	Deputy Clerk	Western Surety	50,000

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

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

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, 2015, 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 August 10, 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 15-01 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 15-02 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
August 10, 2016

Watkins Ward and Stafford, PLLC

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TOWN OF DeKALB, MISSISSIPPI
Schedule of Findings
For the Year Ended September 30, 2015

Material Weakness

Bank Statements Should Be Reconciled To The General Ledger

15-01 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

Internal Controls Surrounding Payroll Expenditures Should Be Strengthened

15-02 Finding

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

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

- We noted one instance where a timesheet was not available to support the payroll expenditure.
- We saw no indication of management approval of timesheets.
- We noted one instance where an employee was underpaid by two overtime hours.

The lack of internal controls surrounding payroll expenditures resulted in payments to personnel being processed without adequate documentation and resulted in employees not being paid the 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. We also recommend the Town properly calculates employee pay as pay rate times number of hours worked.

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. The Town will also calculate pay based on pay rate times number of hours worked.



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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, 2015, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements and have issued our report thereon dated August 10, 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 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
August 10, 2016

Watkins Ward and Stafford, P.C.

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