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TOWN OF CALEDONIA
P.O. BOX 100
CALEDONIA, MISSISSIPPI 39740

OFFICE PHONE (662) 356-4117
FAX (662) 356-9122

OFFICE HOURS: 9:00 - 1:00
MONDAY - FRIDAY

February 22, 2019

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit Ended September 30, 2015

Accompanying this letter is a copy of the Annual Audit of the Town of Caledonia, Mississippi, for the fiscal year ended September 30, 2015. A separate management letter was not written to the town in connection with this audit.

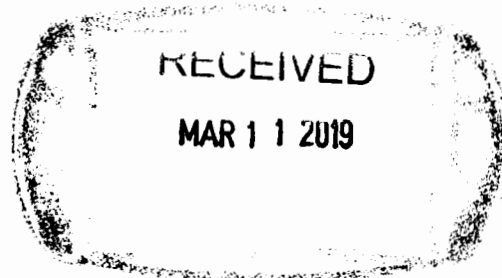
Sincerely,

TOWN OF CALEDONIA



Mitch Wiggins
Mayor

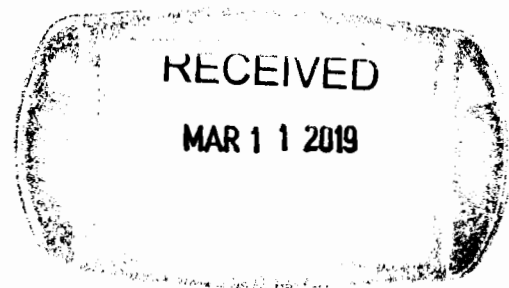
Enclosure



FINANCIAL STATEMENTS

Town of Caledonia, Mississippi

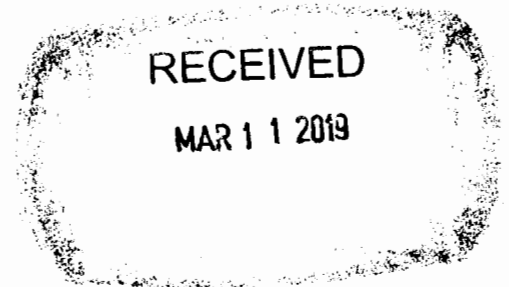
For the year ended
September 30, 2015



R. Dale Pierce
Certified Public Accountant

TOWN OF CALEDONIA, MISSISSIPPI
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September 30, 2015

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R. Dale Pierce

CERTIFIED PUBLIC ACCOUNTANT
114 NORTH HICKORY STREET
P. O. BOX 201
ABERDEEN, MISSISSIPPI 39730

PHONE 662 / 369-4333
FAX 662 / 369-9781

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of Caledonia, Mississippi

Report on the Financial Statements

I have audited the accompanying Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi and as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I 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 Statement of Cash Receipts and Disbursements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

As described more fully in Note 1, the Town of Caledonia, Mississippi has prepared these financial statements using accounting practices prescribed or permitted by the Mississippi Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these

regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Caledonia, Mississippi as of September 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Caledonia, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Caledonia, Mississippi, as of September 30, 2015 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

Other Information

My audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi taken as a whole. Supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and, in my opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, I have also issued my report dated January 30, 2019, on my consideration of the Town of Caledonia, Mississippi's internal control over financial reporting and on my 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 my 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 *Governmental Auditing Standards* in considering the Town of Caledonia, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the Town's management and the Office of the Mississippi 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.



R. DALE PIERCE, CPA
Aberdeen, Mississippi
January 30, 2019

BASIC FINANCIAL STATEMENTS

RECEIVED
MAR 11 2013

TOWN OF CALEDONIA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS TYPE ACTIVITIES
For the year ended September 30, 2015

	Governmental Activities		Business Type	
	General	Special	Activities	
	Fund	Revenue Fund	Water and Sewer Fund	Totals Government-wide
REVENUE RECEIPTS:				
Taxes				
General Property Taxes	\$ 85,681	\$ -	\$ -	\$ 85,681
Auto Ad Valorem Tax	7,024	-	-	7,024
Licenses and Permits				
Franchise Tax on Utilities	25,539	-	-	25,539
Privilege Tax Revenue	873	-	-	873
Intergovernmental Revenues:				
State Shared Revenues:				
General Municipal Aid	519	-	-	519
Sales Tax	160,428	-	-	160,428
Gasoline Tax	3,123	-	-	3,123
TVA In Lieu of Tax	10,895	-	-	10,895
Homestead Exemption Reimbursement	3,440	-	-	3,440
Fire Protection	5,664	-	-	5,664
Other State Revenues	900	-	-	900
State Grants	2,000	-	-	2,000
Charges for Services:				
Water & Sewer System			1,070,031	1,070,031
Park & Recreation	17,347	-	-	17,347
Fines and Forfeits:				
Police Fines	37,318	-	-	37,318
Miscellaneous Receipts:				
Interest Income	3,554	-	2,411	5,965
Rents	23,425	-	-	23,425
Local Funds	-	-	-	-
Reimbursements	-	-	-	-
Other Income	2,294	4,477	-	6,771
Total Receipts	\$ 390,024	\$ 4,477	\$ 1,072,442	\$ 1,466,943

See accompanying notes to the financial statements.

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TOWN OF CALEDONIA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS TYPE ACTIVITIES
For the year ended September 30, 2015

	Governmental Activities		Business Type	
	General	Special	Activities	
	Fund	Revenue Fund	Water and Sewer Fund	Totals Government-wide
DISBURSEMENTS:				
General Government	\$ 252,597	\$ 18,959	\$ -	\$ 271,556
Public Safety: Police & Fire	47,883	-	-	47,883
Public Works	7,541	-	-	7,541
Park and Recreation	29,543	-	-	29,543
Enterprise: Water & Sewer System	-	-	517,808	517,808
Interest	-	-	100,954	100,954
TOTAL DISBURSEMENTS	337,564	18,959	618,762	975,285
Excess (Deficiency) of receipts over disbursements	52,460	(14,482)	453,680	491,658
OTHER FINANCING SOURCES (USES):				
Debt Repaid	-	-	(309,048)	(309,048)
Capital Outlay/Grant Expenses	(33,413)	-	(97,394)	(130,807)
Loan Proceeds	-	-	-	-
Water Deposits	-	-	6,509	6,509
Transfers	(21,000)	21,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(54,413)	21,000	(399,933)	(433,346)
Excess (Deficiency) of receipts & other financing sources over disbursements & other financing uses	(1,953)	6,518	53,747	58,312
CASH BASIS FUND BALANCE - BEGINNING OF YEAR	226,719	15,987	772,667	1,015,373
CASH BASIS FUND BALANCE - END OF YEAR	\$ 224,766	\$ 22,505	\$ 826,414	\$ 1,073,685

See accompanying notes to the financial statements.

TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

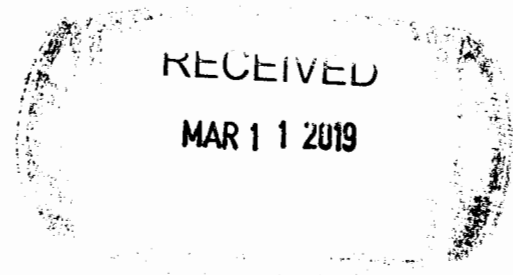
Basis of Accounting

The Town of Caledonia prepares its financial statements on the cash receipts and disbursements basis of accounting as permitted by the Mississippi Office of the State Auditor. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are recognized when the funds are disbursed rather than when the liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Under this basis of accounting, the Town has elected to omit substantially all government-wide financial statements, fund financial statements, management discussion and analysis, required supplemental information, and other supplemental information required under generally accepted accounting principles.

Government-Wide Financial Statements

The statement of cash receipts and disbursements displays information on all non-fiduciary activities of the primary government. The statement distinguishes between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of cash receipts and disbursements presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.



**TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Town reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

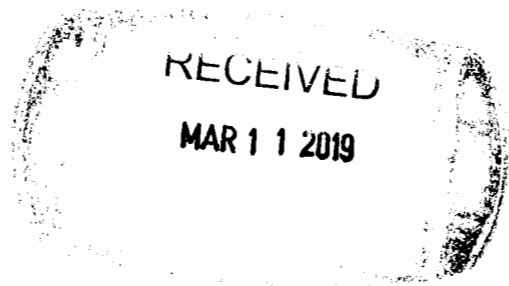
Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental fund.

The Town reports the following major proprietary funds:

Water and Sewer Fund – Proprietary funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water and charges for sewer treatment. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Included within the reporting entity:

Town of Caledonia water and sewer system. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water and sewer debt remains with the government.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.

TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Revenue & Expense Recognition

Revenues for all fund types are recognized when received, expenditures are recorded when paid.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received.

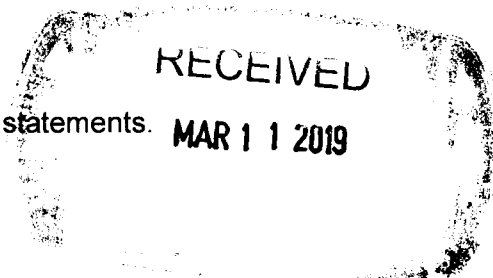
Interfund Transactions

Interfund transactions have not been eliminated from these financial statements.

NOTE B – CASH AND INVESTMENTS

Cash and Investments

Deposits- 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 deposits 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. The carrying amount of the Town's deposits with financial institutions was \$1,073,373.



TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – CASH AND INVESTMENTS (continued)

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this State, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The Town's investments as of September 30, 2015 are:

Investments:

Certificate of Deposit - Park	\$ 103,436
Certificates of Deposit - Water & Sewer	<u>319,545</u>
Total Investments	\$ <u>422,981</u>

NOTE C – PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. The Town contracts with the County Tax Collector to bill and collect all property taxes including motor vehicle taxes. The County Tax Collector collects and remits all collected taxes to the Town.

NOTE D – LONG-TERM DEBT

The Town of Caledonia Water and Sewer Division Revenue Refunding Bonds Series 2012 were issued May 3, 2012, for \$1,590,000. The interest rate for the issue varies from 1.00 to 3.00% depending on the maturity date. The interest rate as of September 30, 2015 and 2014 was 1.00%. A schedule of payment requirements is shown below assuming the bonds will not be called due to noncompliance with various covenants. The bonds mature annually from March 1, 2013 through March 1, 2024. The bonds are secured by a lien on the net revenues of the Town of Caledonia Water and Sewer Division.

The Town of Caledonia Water and Sewer Division authorized \$3,285,754 of drinking water loan state revolving funds on April 15, 2011. The interest rate as of September 30, 2015 and 2014 was 1.95% for this loan. Monthly payments of \$16,716 are due, beginning May 15, 2011 and maturing on January 15, 2031.

The Town of Caledonia Water and Sewer Division authorized \$554,299 of water pollution control loan funds on September 2, 2014. The interest rate as of September 30, 2015 and 2014 was 1.75% for this loan. Monthly payments of \$2,773 are due, beginning October 1, 2014 and maturing on June 1, 2034.

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TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE D – LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of September 30, 2015 (including interest payments of \$686,398) are as follows:

	Water & Sewer Bonds/Notes <u>Principal</u>	Water & Sewer Bonds/Notes <u>Interest</u>	<u>Total</u>
2016	\$ 319,329	\$ 82,147	\$ 401,476
2017	322,709	76,294	399,003
2018	331,156	104,904	436,059
2019	334,669	72,083	406,752
2020	343,251	65,257	408,508
2021-2025	1,652,457	209,771	1,862,228
2026-2030	1,098,023	71,576	1,169,599
2031-2035	<u>187,493</u>	<u>4,367</u>	<u>191,860</u>
Totals	\$ <u>4,589,086</u>	\$ <u>686,398</u>	\$ <u>5,275,484</u>

NOTE E – LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.

TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN

Plan Description - The Town of Caledonia 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

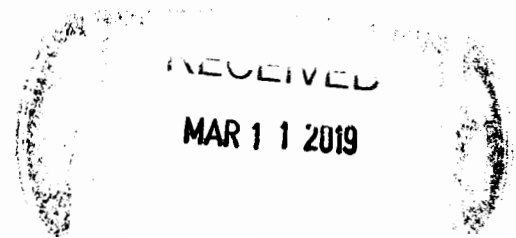
Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and the Town of Caledonia is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Caledonia's contributions to PERS for the years ending September 30, 2015, 2014 and 2013 were \$42,501, \$43,754 and \$35,831, equal to the required contributions for each year.

NOTE G – RISK MANAGEMENT

The Town of Caledonia is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the Town retains the risk of loss.

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 year or the three prior years.

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2015, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.



**TOWN OF CALEDONIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE H – SUBSEQUENT EVENTS

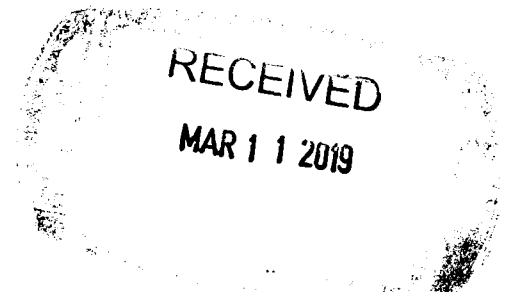
Management has evaluated subsequent events through January 30, 2019, the date on which the financial statements were available to be issued.

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OTHER SUPPLEMENTAL INFORMATION

TOWN OF CALEDONIA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2015

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE</u>		<u>TRANSACTIONS</u>		<u>BALANCE</u>
	<u>OUTSTANDING</u>		<u>DURING THE</u>		<u>OUTSTANDING</u>
	<u>October 1, 2014</u>	<u>BORROWED</u>	<u>FISCAL YEAR</u>	<u>REDEEMED</u>	<u>September 30, 2015</u>
Long Term Debt:					
Water and Sewer Revenue Bond	\$ -	\$ -	\$ -	\$ -	-
Water and Sewer Refunding Bond 2012	1,540,000	-	140,000		1,400,000
Note Payable MS State Dept of Health	2,803,835	-	147,226		2,656,609
MDEQ Revolving Loan	554,299		21,822		532,477
TOTAL	\$ <u>4,898,134</u>	\$ <u>-</u>	\$ <u>309,048</u>	\$ <u>-</u>	<u>4,589,086</u>



TOWN OF CALEDONIA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
William B. Lawrence	Mayor	Clyde C. Scott Insurance	\$50,000
Alisha Carter	City Clerk/Court Clerk	Clyde C. Scott Insurance	\$50,000
Jennifer Weeks	Concession Stand Manager	Clyde C. Scott Insurance	\$25,000
William Darnell	Alderman	Clyde C. Scott Insurance	\$50,000
Stephen Honnoll	Alderman	Clyde C. Scott Insurance	\$50,000
Mitchell Wiggins, Jr.	Alderman	Clyde C. Scott Insurance	\$50,000
John Parham	Alderman	Clyde C. Scott Insurance	\$50,000
Brenda Willis	Alderman	Clyde C. Scott Insurance	\$50,000
Lisa Mims	Park Events Coordinator	Clyde C. Scott Insurance	\$50,000
Ben Kilgore	Town Marshall	Clyde C. Scott Insurance	\$50,000
John Pevey	Deputy Marshall	Clyde C. Scott Insurance	\$25,000
Richard Hayes	Deputy Marshall	Clyde C. Scott Insurance	\$25,000
Samuel Luckey	Deputy Marshall	Clyde C. Scott Insurance	\$25,000

OTHER REPORTS

**INDEPENDENT AUDITOR'S 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**

To the Mayor and Board of Aldermen
Town of Caledonia, Mississippi
Caledonia, MS

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Town of Caledonia, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Caledonia, Mississippi's basic financial statements and have issued my report thereon dated January 30, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Caledonia, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Caledonia, Mississippi's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Caledonia, Mississippi's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I 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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (Findings no. 1, 2, 8 and 9).

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. I consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. (Findings no. 3 and 5).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Caledonia, Mississippi's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (Findings no. 1, 3, 4, 5, 6, 7, 8 and 9).

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Town of Caledonia, Mississippi's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink, appearing to read "R. Dale Pierce", with a long horizontal flourish extending to the right.

R. DALE PIERCE, CPA

Aberdeen, MS
January 30, 2019

TOWN OF CALEDONIA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (Material Weakness and Noncompliance)

Criteria: The Town is to ensure compliance with various covenants and requirements as stipulated in the bond agreement related to the Town's outstanding bond issue.

Cause of Condition: The internal control is not sufficient to monitor compliance with covenants stipulated in the bond agreement. Accounts with past due balances have not had service discontinued.

Recommendation: The Town should closely monitor the covenants included in the bond agreement and abide by them closely.

Response: The Town will review the covenants stipulated in the bond agreement and will take steps necessary to ensure future compliance with the covenants.

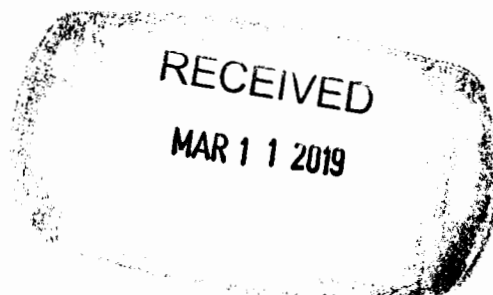
FINDING NO. 2 (Material Weakness)

Criteria: A valuable element of the internal control structure is proper segregation of duties of accounting personnel.

Cause of Condition: The Town of Caledonia's internal control structure does not provide for adequate segregation of duties due to the Town's small size and small number of employees.

Recommendation: The Town's mayor and board should continue to be actively involved in a supervisory position in the Town's operations.

Response: The Town will attempt to maximize segregation of duties whenever possible. The Mayor and Board will remain actively involved in a supervisory position over the Town's operations.



**TOWN OF CALEDONIA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

FINDING NO. 3 (Significant Deficiency and Noncompliance)

Criteria: The Town is required by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuations of its fixed assets.

Cause of Condition: The Town did not conduct inventory observations of fixed assets needed to maintain accountability of assets and prepare a complete listing of assets. The Town's listing is not complete.

Recommendation: The Town should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. The Town should also prepare a complete fixed asset listing; substantiating the valuation, location, description and inventory tag numbers of its fixed assets. The Town should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

Response: The Town will conduct year-end inventory observations of their fixed assets. Also, the Town will continue to develop a complete listing of all fixed assets to comply with State statutes.

FINDING NO. 4 (Noncompliance)

Criteria: The Town is required by State statutes, to collect state-imposed court assessments and settle monthly with the Mississippi Department of Finance and Administration.

Cause of Condition: The Town did not settle the state-imposed court assessments monthly with the Mississippi Department of Finance and Administration. The Town is not settling and depositing court fine collections in a timely manner.

Recommendation: The Town should ensure that the municipal court clerk settles the assessments daily with the municipal clerk and the assessments are submitted the following month to the Mississippi Department of Finance and Administration. The Town should ensure that court fine collections are settled and deposited on a daily basis.

Response: The Town will ensure that the court clerk settles daily and that the state-imposed court assessments received are submitted the following month to the Mississippi Department of Finance and Administration.



TOWN OF CALEDONIA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015

FINDING NO. 5 (Significant Deficiency and Noncompliance)

Criteria: The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi code Ann. (1972) requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meetings each month for monitoring budget status.

Cause of Condition: Expenditures were made in excess of budgeted amounts in some categories and a budget was not adopted for one fund. The Town uses a budget format with more detail than required by state statutes.

Recommendation: The Town should ensure that expenditures are only made when sufficient resources are budgeted and that budget amendments are made when additional resource allocations are needed. Also, the Town should ensure that budgets are adopted for all funds which require a budget. The Town should consider using a more condensed budget format that meets the minimum requirements of the State Auditor's Office.

Response: The Town will review its budgeting process and modify as necessary to ensure all funds are budgeted and that budgets are amended as required by state statutes. A separate budget will be prepared for all funds requiring budgets in the future.

FINDING NO. 6 (Noncompliance)

Criteria: The Town is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the Town maintains public funds. The Town is required, by state statutes, to prepare and file a report with the State Treasurer within thirty days of year end reporting all bank accounts.

Cause of Condition: The Town did not ensure that all bank accounts were covered under the State Collateral Pool for the year ended September 30, 2015. Therefore, the Town was not adequately covered by pledged securities under the State Collateral Pool. The Town did not have a policy in place to reconcile the quarterly reports to the financial records of the Town.

Recommendation: The Town should implement adequate internal controls to make certain that all relevant reports regarding the State Collateral Pool are maintained and should reconcile the quarterly reports with the financial records of the Town.

Response: The Town will make sure that it has all current State Collateral Pool reports from the State Treasurer so as to ensure that all Town deposits are properly collateralized. The Town will file an annual report with the State Treasurer in a timely manner in future years.

**TOWN OF CALEDONIA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

FINDING NO. 7 (Noncompliance)

Criteria: The Town is required, by state statutes, to obtain a \$50,000 minimum bond for all employees handling or having custody of public funds.

Cause of Condition: The Town obtained a \$25,000 bond for one Town employee who had custody of public funds.

Recommendation: The Town should review the minimum bond requirements for Town employees set forth by state statutes and ensure that the minimum bond requirements are met.

Response: The Town will review the minimum bond requirements for Town employees set forth by state statutes and will obtain bonds for all Town employees that meet these requirements.

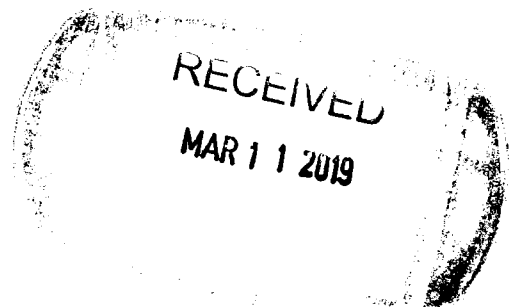
FINDING NO. 8 (Material Weakness and Noncompliance)

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Cause of Condition: The Town did not obtain competitive bids or quotes for three purchases during the fiscal year, as required by state statutes.

Recommendation: The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

Response: Purchase laws are now being complied with by all department heads and we have established procedures which will ensure compliance with purchase laws.



**TOWN OF CALEDONIA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

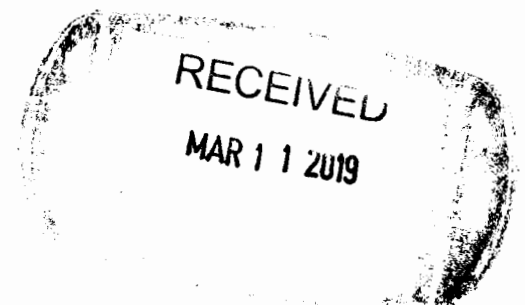
FINDING NO. 9 (Material Weakness and Noncompliance)

Criteria: The Town is to maintain adequate documentation related to each expenditure of public funds made by the Town.

Cause of Condition: We noted some instances where sufficient evidential matter was not available to support expenditures made by the Town. Specifically, we noted some expenditures for which no supporting documentation could be provided to substantiate the expenditure.

Recommendation: The Town should establish internal control procedures with regards to purchasing. The Town should ensure that valid documentation exists for each disbursement made.

Response: The Town will establish a policy that shall require all claims to be supported by adequate documentation.



R. Dale Pierce
CERTIFIED PUBLIC ACCOUNTANT
114 NORTH HICKORY STREET
P. O. BOX 201
ABERDEEN, MISSISSIPPI 39730

PHONE 662 / 369-4333
FAX 662 / 369-9781

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

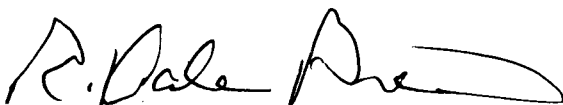
To the Mayor and Board of Aldermen
Town of Caledonia, Mississippi
Caledonia, Mississippi

I have audited the basic financial statements of the Town of Caledonia, Mississippi as of and for the year ended September 30, 2015, and have issued my report thereon dated January 30, 2019. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed the following instances of noncompliance with state laws and regulations. My findings and recommendations and your responses are included in the Schedule of Findings and Responses as findings no. 1, 3, 4, 5, 6, 7, 8 and 9.

This report is intended for the information of the Town of Caledonia, Mississippi's management, Mayor, Board of Aldermen, Office of the State Auditor of the State of Mississippi, 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. However, this report is a matter of public record and its distribution is not limited.



R. DALE PIERCE, CPA
January 30, 2019

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MEMBER
AICPA