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CITY OF CALHOUN CITY

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Deborah Bailey, Court Clerk
Lee Burns, Municipal Works Director
Tito Lopez, Police Chief
Paul Moore, Jr., Attorney
Larry Goodwin, Fire Chief

J.R. Denton, Mayor
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662-628-8345 • 662-628-8931 Fax
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Aldermen
Jerry K. Vaughn, Ward I
Marshall Coleman, Ward II
Larry Bratton, Ward III
Dale Hays, Ward IV
Barbara Goodson, Ward V


December 8, 2016

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

RE: Annual Municipal Audit

Accompanying this letter are two hard copies of the annual audit of the City of Calhoun City, Mississippi for the fiscal year ended September 30, 2015. A separate management letter was not written to the City in connection with this audit.

Sincerely,

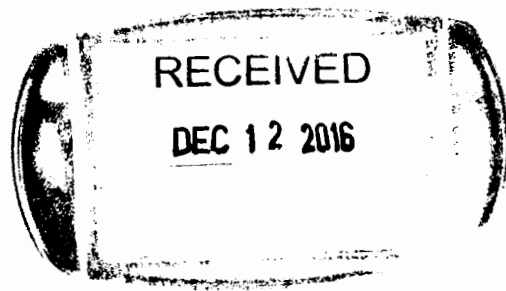


J. R. Denton
Mayor

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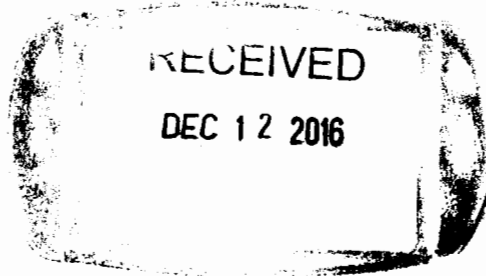
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CITY OF CALHOUN CITY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015



WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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. Staggars, 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.,

Independent Auditors' Report

Honorable Mayor and Board of Aldermen
City of Calhoun City
Calhoun City, Mississippi

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Calhoun City, Mississippi as of and for the year ended September 30, 2015 and the related notes to financial statements, which collectively comprise the City'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinion.

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, and the aggregate remaining fund information of the City of Calhoun City, Mississippi as of September 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Calhoun City, Mississippi's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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 statements. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The schedule of investments, schedule of long-term debt, and schedule of surety bonds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of investments, schedule of long-term debt, and schedule of surety bonds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

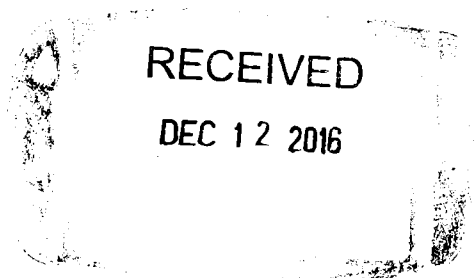
In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the City of Calhoun City, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this 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 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 City of Calhoun City, Mississippi's internal control over financial reporting and compliance.

Eupora, Mississippi
November 7, 2016

Watkins Ward and Stafford, PLLC



BASIC FINANCIAL STATEMENTS





CITY OF CALHOUN CITY, MISSISSIPPI
Statement 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	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 160,506	50,780	6,207	-	(103,519)	-	\$ (103,519)
Public safety	380,367	870	15,190	14,700	(349,607)	-	(349,607)
Public works	132,748	42,129	-	35,652	(54,967)	-	(54,967)
Culture and recreation	72,474	-	-	-	(72,474)	-	(72,474)
Economic development	84,626	-	-	-	(84,626)	-	(84,626)
Sanitation	113,960	123,482	-	-	9,522	-	9,522
Debt service	28,008	-	-	-	(28,008)	-	(28,008)
Total Governmental Activities	972,689	217,261	21,397	50,352	(683,679)	-	(683,679)
Business-Type Activities:							
Water and sewer	397,930	463,368	-	-	-	65,438	65,438
Total Primary Government	1,370,619	680,629	21,397	50,352	(683,679)	65,438	(618,241)
General Receipts:							
Taxes:							
Property taxes					332,197	-	332,197
Sales and use taxes					322,537	-	322,537
Franchise taxes					43,117	-	43,117
Unrestricted investment income					576	436	1,012
Miscellaneous					43,851	13,540	57,391
Transfers					27,998	(27,998)	-
Total General Receipts					770,276	(14,022)	756,254
Changes in Net Position					86,597	51,416	138,013
Net Position - Beginning					894,138	741,226	1,635,364
Net Position - Ending					\$ 980,735	792,642	\$ 1,773,377

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



CITY OF CALHOUN CITY, MISSISSIPPI
Statement 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	\$ 980,735	792,642	\$ 1,773,377
Total assets	<u>980,735</u>	<u>792,642</u>	<u>1,773,377</u>
Net Position:			
Unrestricted	980,735	792,642	1,773,377
Total net position	<u>\$ 980,735</u>	<u>792,642</u>	<u>\$ 1,773,377</u>

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



CITY OF CALHOUN CITY, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
As of and For the Year Ended September 30, 2015

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES
	General Fund	Other Nonmajor Funds	Total	Water Fund
RECEIPTS				
Property taxes	\$ 326,719	-	326,719	\$ -
Penalties and interest	5,478	-	5,478	-
Licenses and permits	46,637	-	46,637	-
Intergovernmental revenues	400,237	35,652	435,889	-
Charges for Governmental Services:				
Sanitation	123,482	-	123,482	-
Water and sewer	-	-	-	463,367
Fines and forfeitures	47,775	-	47,775	-
Interest Income	576	-	576	436
Rent income	40,300	-	40,300	-
Miscellaneous revenues	4,432	-	4,432	13,541
Total Receipts	<u>995,636</u>	<u>35,652</u>	<u>1,031,288</u>	<u>477,344</u>
DISBURSEMENTS				
General government	160,506	-	160,506	-
Public safety	380,367	-	380,367	-
Public works	97,096	35,652	132,748	-
Culture and recreation	72,474	-	72,474	-
Economic development	84,626	-	84,626	-
Sanitation	113,960	-	113,960	-
Enterprises:				
Water and sewer	-	-	-	392,672
Interest on debt service	-	15,369	15,369	1,508
Total Disbursements	<u>909,029</u>	<u>51,021</u>	<u>960,050</u>	<u>394,180</u>
Excess of receipts over (under) disbursements	86,607	(15,369)	71,238	83,164
OTHER CASH SOURCES (USES)				
Debt repaid	-	(12,639)	(12,639)	(3,750)
Interfund loans and transfers	10	27,988	27,998	(27,998)
Total other cash sources (uses)	<u>10</u>	<u>15,349</u>	<u>15,359</u>	<u>(31,748)</u>
Net changes in fund balances	86,617	(20)	86,597	51,416
CASH BASIS FUND BALANCE - Beginning of Year	<u>891,774</u>	<u>2,364</u>	<u>894,138</u>	<u>741,226</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 978,391</u>	<u>2,344</u>	<u>980,735</u>	<u>\$ 792,642</u>

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



CITY OF CALHOUN CITY, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
As of and For the Year Ended September 30, 2015

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES
	General Fund	Other Nonmajor Funds	Total	Water Fund
CASH BASIS ASSETS				
Cash and cash equivalents	\$ 978,391	2,344	980,735	\$ 792,642
Total cash basis assets	<u>978,391</u>	<u>2,344</u>	<u>980,735</u>	<u>792,642</u>
CASH BASIS FUND BALANCES				
Unrestricted	<u>978,391</u>	<u>2,344</u>	<u>980,735</u>	<u>792,642</u>
Total cash basis fund balances	\$ <u>978,391</u>	<u>2,344</u>	<u>980,735</u>	\$ <u>792,642</u>

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



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The City of Calhoun City, Mississippi, was incorporated in 1904. The City operates under a Mayor-Board of Aldermen 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:

- Statement of activities and net position – cash basis
- Statement 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 nonfiduciary 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 City combines the statement of activities and statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 instead as general receipts.

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

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are reported when cash is spent.

The City reports the following major governmental fund:

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



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary fund:

The Water Fund accounts for the activities of providing water and sewer services to citizens of the City.

Additionally, the City reports the following fund types:

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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 Position or Fund Balance

Cash and Investments - The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

Net Position - The City's government-wide and proprietary net position is divided into the following components:

Restricted net position – consists of net position that is restricted by the City'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 position – all other net position is reported in this category.

Fund Balances – In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

c. Assets and Net Position or Fund Balance (Continued)

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the City.

Unassigned – Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

d. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary Funds.
2. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then the budget is approved prior to September 30.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for both the General and Proprietary Fund.
6. Appropriations lapse at the end of each fiscal year.



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

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Note 1: Summary of Significant Accounting Policies (Continued)

e. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

Note 2: Property Taxes

The City uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1. The millage rate for the City for the fiscal year ended September 30, 2015 was 31.5 mills for general purposes.

Note 3: Cash and Cash Equivalents

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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. 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 City.

Note 4: Interfund Transfers

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Water Fund</u>
Transfers In	\$ 10	\$ 28,008	\$ 10
Transfers Out	-	(20)	(28,008)
	<u>\$ 10</u>	<u>\$ 27,988</u>	<u>\$ (27,998)</u>

The above interfund transfer was from the Water Fund to the W&S Revenue Bond Fund, a debt service fund.



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 5: Bond Payable

The following is a summary of bond payable transactions for the year ended September 30, 2015:

	Balance 9/30/2014	Issued	Redeemed	Balance 9/30/2015
1996 W&S Revenue Bond	\$ 313,154	-	(12,639)	\$ 300,515

The bond payable at September 30, 2015, was a 1996 Combined Water and Sewer System Revenue Bond purchased by the United States Department of Agriculture, acting through its Rural Development services. The bond bears interest at a rate of five percent per annum, being payable annually on the 6th day of December through 2031.

The annual requirements to amortize the bond payable outstanding as of September 30, 2015 are as follows:

Year Ended September 30,	Debt Service		Total Principal & Interest
	Principal	Interest	
2016	\$ 13,340	14,668	\$ 28,008
2017	14,023	13,985	28,008
2018	14,740	13,268	28,008
2019	15,494	12,514	28,008
2020	16,287	11,721	28,008
Thereafter	226,631	63,666	290,297
Total	\$ 300,515	129,822	\$ 430,337

Note 5: Note Payable

The following is a summary of note payable transactions for the year ended September 30, 2015:

	Balance 9/30/2014	Issued	Redeemed	Balance 9/30/2015
Water Pollution Control Revolving Loan	\$ -	149,369	(3,750)	\$ 145,619



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 5: Note Payable (Continued)

The note payable at September 30, 2015 was a Water Pollution Control Revolving Loan with the State of Mississippi Commission on Environmental Quality acting through the Department of Environmental Quality. The note has an interest rate of 1.75 percent per annum. The City has authorized the Mississippi Department of Revenue to withhold \$751.20 monthly from the amount of the City's sales tax receipts for repayment of the loan for a period of 235 months, which began in February 2015.

The annual requirements to amortize the note payable outstanding as of September 30, 2015 are as follows:

<u>Year Ended September 30,</u>	<u>Water & Sewer</u>		<u>Total Principal & Interest</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 6,518	2,496	\$ 9,014
2017	6,633	2,381	9,014
2018	6,750	2,264	9,014
2019	6,869	2,145	9,014
2020	6,990	2,024	9,014
Thereafter	111,859	14,344	126,203
Total	<u>\$ 145,619</u>	<u>25,654</u>	<u>\$ 171,273</u>

Note 6: Economic Dependency

The City is a rural community located in North Mississippi. It is dependent on ad valorem taxes and user fees from its residents to remain viable.

Note 7: Defined Benefit Pension Plan

Plan Description – The City of Calhoun City, 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201, or by calling (601) 349-3589 or 1-800-PERS.

Funding Policy – PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Calhoun City, Mississippi's contributions to PERS for the fiscal years ended September 30, 2015, 2014, and 2013 were \$71,103, \$68,162, and \$58,148, respectively, which equaled the required contribution.



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 7: Defined Benefit Pension Plan (Continued)

Pension Liability – At September 30, 2015, the City had a liability of \$1,012,037 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 City'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 City's proportion was .006547 percent.

Note 8: Risk Management

The City 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 City purchases coverage of risks of loss related to theft of, damage to and destruction of assets from commercial insurance carriers. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to City 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 City 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.

Note 9: Municipal Solid Waste Management Services

The City of Calhoun City subcontracts their municipal solid waste services to Calhoun County Solid Waste. During the fiscal year, the City paid \$89,231 to Calhoun County Solid Waste for a monthly average of 704 commercial and residential garbage users.

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CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statements

Note 10: Subsequent Events

Events that occur after the Statement of Activities and Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Activities and Net Position 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 date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through November 7, 2016, the date the financial statements were approved by the City's management and thereby available to be released, and determined that two subsequent events have occurred requiring disclosure in the notes to the financial statements. First, the City bought a Pierce Freightliner pumper truck on June 1, 2016 in the amount of \$270,000. The City paid for the pumper with a \$70,000 grant and the remainder with cash funds. The City also bought an Exmark Zero Turn Mower on October 6, 2015 in the amount of \$13,089.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CALHOUN CITY, MISSISSIPPI
 Budgetary Comparison Schedule – Budget and Actual
 General Fund
 For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Property taxes	\$ 296,600	296,600	326,719	\$ 30,119
Penalties and interest	-	-	5,478	5,478
Licenses and permits	48,400	48,400	46,637	(1,763)
Intergovernmental revenues	574,325	574,325	400,237	(174,088)
Charges for Governmental Services:				
Sanitation	168,940	168,940	123,482	(45,458)
Fines and forfeitures	38,500	38,500	47,775	9,275
Interest income	-	-	576	576
Miscellaneous revenues	3,265	3,265	44,732	41,467
Total Receipts	<u>1,130,030</u>	<u>1,130,030</u>	<u>995,636</u>	<u>(134,394)</u>
DISBURSEMENTS				
General government	198,236	198,236	160,506	37,730
Public safety	513,018	513,018	380,367	132,651
Public works	149,350	149,350	97,096	52,254
Culture and recreation	121,967	121,967	72,474	49,493
Economic development	363,065	363,065	84,626	278,439
Sanitation	149,430	149,430	113,960	35,470
Total Disbursements	<u>1,495,066</u>	<u>1,495,066</u>	<u>909,029</u>	<u>586,037</u>
Excess of receipts over (under) disbursements	(365,036)	(365,036)	86,607	451,643
OTHER CASH SOURCES				
Interfund loans and transfers	-	-	10	10
Total other cash sources	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Net changes in fund balances	(365,036)	(365,036)	86,617	451,653
CASH BASIS FUND BALANCE - Beginning of Year	<u>1,006,307</u>	<u>1,006,307</u>	<u>891,774</u>	<u>(114,533)</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 641,271</u>	<u>641,271</u>	<u>978,391</u>	<u>\$ 337,120</u>

See accompanying notes to the required supplementary information.



CITY OF CALHOUN CITY, MISSISSIPPI
Notes to the Required Supplementary Information

Note 1: Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. During the fiscal year when it appears to the Board of Aldermen that budgetary estimates will not be met, the Board may make revisions to the budget.

Mississippi laws require that municipalities budget on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances be prepared according to the cash basis.

Note 2: Basis of Presentation

The Budgetary Comparison Schedule – Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule – Budget and Actual is a part of required supplementary information.

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SUPPLEMENTARY INFORMATION



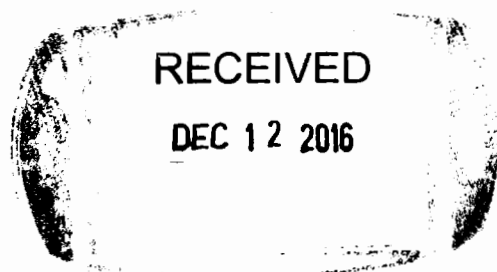
CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Investments – All Funds
September 30, 2015

	<u>Deposit Amount</u>
Certificate of Deposit with Renasant Bank, maturing 12/29/15, rate 0.10%	\$ 995,725
Certificate of Deposit with Renasant Bank, maturing 12/29/15, rate 0.10%	41,583
Certificate of Deposit with Renasant Bank, maturing 12/29/15, rate 0.095%	<u>25,038</u>
Total	\$ <u><u>1,062,346</u></u>
Fund Recap:	
General Fund	\$ 610,906
Water and Sewer Fund	<u>451,440</u>
Total	\$ <u><u>1,062,346</u></u>



CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2015

	Balance Outstanding 9/30/2014	Issued	Redeemed	Balance Outstanding 9/30/2015
Revenue Bond:				
1996 W&S Revenue Bond	\$ <u>313,154</u>	<u>-</u>	<u>(12,639)</u>	\$ <u>300,515</u>
Note Payable:				
Water Pollution Control Revolving Loan	\$ <u>-</u>	<u>149,369</u>	<u>(3,750)</u>	\$ <u>145,619</u>





CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
James R. Denton	Mayor	Western Surety	\$ 50,000
Jerry K. Vaughn	Alderman	Western Surety	\$ 15,000
Marshall Coleman	Alderman	Western Surety	\$ 15,000
Larry Bratton	Alderman	Western Surety	\$ 15,000
Dale Hays	Alderman	Western Surety	\$ 15,000
Barbara Goodson	Alderman	Western Surety	\$ 15,000
Benny Lankford	Chief of Police	Western Surety	\$ 50,000
Raenell Moore	City Clerk	Western Surety	\$ 50,000
Deborah Bailey	Deputy Clerk	Western Surety	\$ 50,000

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SPECIAL REPORTS





WATKINS, WARD and STAFFORD
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Certified Public Accountants

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Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
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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.,

**Independent Auditors' Report on Compliance
With State Laws and Regulations**

Honorable Mayor and Board of Aldermen
City of Calhoun City
Calhoun City, Mississippi

We have audited the basic financial statements of the City of Calhoun City, Mississippi as of and for the year ended September 30, 2015 and have issued our report thereon dated November 7, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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 general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City'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.

Eupora, Mississippi
November 7, 2016

Watkins Ward and Stafford, PLLC





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Certified Public Accountants

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Board of Aldermen
City of Calhoun City
Calhoun City, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Calhoun City, Mississippi as of and for the year ended September 30, 2015 and the related notes to financial statements, which collectively comprise the City of Calhoun City, Mississippi's basic financial statements and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Calhoun City, 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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Calhoun City, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Calhoun City, Mississippi's internal control.

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. 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 2015-01 described in the accompanying schedule of findings and responses to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Calhoun City, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

This report is intended solely for the information and use of management and others within the organization including the Mayor and the Board of Aldermen of the City of Calhoun City, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Eupora, Mississippi
November 7, 2016

Watkins Ward and Stafford, PLLC



CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 1: Summary of Auditors' Results

Financial Statements

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued on the primary government financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

2015-01 Finding

During our audit of the City's financial statements, we noted that the City does not have adequate segregation of duties for internal control purposes.

Recommendation

Because it is not practical to hire more employees, all possible controls with a limited number of employees should be established.

Response

The City has segregated the duties of the employees and established such internal control procedures as economically feasible considering the number of office employees of the City.

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