

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

# **Town of Caledonia, Mississippi**

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## **Financial Statements For the year ended September 30, 2016**

**TOWN OF CALEDONIA, MISSISSIPPI**  
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**September 30, 2016**

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## INDEPENDENT AUDITORS' REPORT



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen / Alderwoman  
Town of Caledonia, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Caledonia, Mississippi, as of and for the year ended September 30, 2016 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 this 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our 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, 2016, and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is 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 *Governmental Auditing Standards*, we have also issued our report dated May 12, 2023, on our consideration of the Town of Caledonia, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Caledonia, Mississippi's 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 Town of Caledonia, Mississippi's internal control over financial reporting and compliance.

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
May 12, 2023

## BASIC FINANCIAL STATEMENTS

**TOWN OF CALEDONIA, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the year ended September 30, 2016

	Governmental Activities		Business Type	Totals
	General	Special	Activities	Government-
	Fund	Revenue Fund	Water and Sewer Fund	Wide
<b>REVENUE RECEIPTS:</b>				
Taxes				
General Property Taxes	\$ 78,796	\$ -	\$ -	\$ 78,796
Auto Ad Valorem Tax	8,184	-	-	8,184
Licenses and Permits				
Franchise Tax on Utilities	22,370	-	-	22,370
Privilege Tax Revenue	1,527	-	-	1,527
Intergovernmental Revenues:				
State Shared Revenues:				
General Municipal Aid	519	-	-	519
Sales Tax	168,580	-	-	168,580
Gasoline Tax	3,123	-	-	3,123
TVA In Lieu of Tax	6,322	-	-	6,322
Homestead Exemption				
Reimbursement	3,463	-	-	3,463
Fire Protection	6,677	-	-	6,677
Other State Revenues	900	-	-	900
State Grants	141,783	-	-	141,783
Charges for Services:				
Water and Sewer System			1,095,289	1,095,289
Park & Recreation	80,542	-	-	80,542
Fines and Forfeits:				
Police Fines	25,356	-	-	25,356
Miscellaneous Receipts:				
Interest Income	1,786	-	2,478	4,264
Rents	22,792	-	-	22,792
Reimbursements	625	-	-	625
Other Income	554	19,709	-	20,263
Total Receipts	\$ 573,899	\$ 19,709	\$ 1,097,767	\$ 1,691,375

See accompanying notes to the financial statements.



**TOWN OF CALEDONIA, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the year ended September 30, 2016

	Governmental Activities		Business Type Activities	Totals
	General Fund	Special Revenue Fund	Water and Sewer Fund	Government- Wide
<b>DISBURSEMENTS:</b>				
General Government	\$ 269,464	\$ 25,047	\$ -	\$ 294,511
Public Safety: Police & Fire	43,169	-	-	43,169
Public Works	1,750	-	-	1,750
Park and Recreation	90,009	-	-	90,009
Enterprise: Water & Sewer System	-	-	699,628	699,628
Interest	-	-	82,448	82,448
<b>TOTAL DISBURSEMENTS</b>	<b>404,392</b>	<b>25,047</b>	<b>782,076</b>	<b>1,211,515</b>
Excess (Deficiency) of receipts over disbursements	169,507	(5,338)	315,691	479,860
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt Repaid	-	-	(319,329)	(319,329)
Capital Outlay/Grant Expenses	(198,470)	-	(94,489)	(292,959)
Water Deposits	-	-	4,112	4,112
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(198,470)</b>	<b>-</b>	<b>(409,706)</b>	<b>(608,176)</b>
Excess (Deficiency) of receipts & other financing sources over disbursements & other financing uses	(28,963)	(5,338)	(94,015)	(128,316)
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<b>224,766</b>	<b>22,505</b>	<b>826,414</b>	<b>1,073,685</b>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<b>\$ 195,803</b>	<b>\$ 17,167</b>	<b>\$ 732,399</b>	<b>\$ 945,369</b>

See accompanying notes to the financial statements.

**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - 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 the 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, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Statement Presentation**

The Town reports the following governmental funds:

*General Fund* – The general fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. Special Revenue Funds include the Caledonia Days Fund.

The Town reports the following 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 or 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.

**Cash and Cash Equivalents**

The Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Revenues and Expenditures/Expenses**

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor. Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when paid.

**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - 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, 2016**

**NOTE 1 - 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.

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.

**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 2 - CASH AND OTHER DEPOSITS**

**Deposits**

The carrying amount of the Town's total deposits with financial institutions at September 30, 2016, was \$945,369, and the bank balance was \$1,025,098. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

*Custodial credit risk:* In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi 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 Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

**Investments**

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the Town's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

*Credit risk and concentration of credit risk:* The Town is allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; 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 any financial institution approved for the deposit of state funds. It is the Town's policy to limit its investments to those allowed by the State statute. The Town complies with the State statute regarding investments; as a result, concentration risk is limited.

*Custodial credit risk:* For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the Town's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The Town's investments are insured or registered, or are securities held by the Town or its agent in the Town's name.

**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 2 - CASH AND OTHER DEPOSITS (continued)**

The Town's investments as of September 30, 2016 are:

Certificate of Deposit - Park      \$    103,914

**NOTE 3 - 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 4 - 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 annual principal payments due range from \$30,000 beginning March 1, 2013, with final payment of \$170,000 due March 1, 2024. The bonds are secured by a lien on the net revenues of the Town of Caledonia Water and Sewer Division.

In May 2011, the Town of Caledonia Water and Sewer Division received a \$3,285,754 loan through the Mississippi State Department of Health for the purpose of constructing a new well and treatment plant. The loan is for a term of 20 years with monthly payments of \$16,716 and an interest rate of 1.95%. Final payment is due January 2031.

The Town of Caledonia Water and Sewer Division authorized \$554,299 of water pollution control loan funds on September 2, 2014. The loan is for 20 years with monthly payments of \$2,778 and an interest rate of 1.75%. Final payment is due June 2034. The debt includes an administration fee of 5% of the loan or \$27,715, which is collected in the first 37 payments in lieu of interest.

The annual requirements to amortize all debt outstanding as of September 30, 2016, including interest payments of \$586,956 are as follows:

Fiscal Year Ended September 30,	Water and Sewer Bond and Notes	Interest	Total
2017	\$    322,694	\$    85,008	\$    407,702
2018	331,141	78,611	409,752
2019	334,654	72,098	406,752
2020	343,235	65,272	408,507
2021	346,886	57,941	404,827
2022-2026	1,516,720	174,603	1,691,323
2027-2031	984,745	51,133	1,035,878
2032-2036	<u>89,682</u>	<u>2,290</u>	<u>91,972</u>
	<u>\$    4,269,757</u>	<u>\$    586,956</u>	<u>\$    4,856,713</u>

**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 5 - 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, 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, 2016, 2015, and 2014 were \$49,027, \$42,501, and \$43,754, respectively, equal to the required contributions for the year.

**NOTE 6 - 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, 2016, 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, 2016**

**NOTE 7 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through May 12, 2023, the date on which the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

**TOWN OF CALEDONIA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS**  
**September 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
William B. Lawrence	Mayor	Clyde C. Scott Insurance	\$50,000
Belinda Thomason	City Clerk / Court Clerk	Clyde C. Scott Insurance	\$100,000
Theresa Hendrix	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	Alderwoman	Clyde C. Scott Insurance	\$50,000
Calvin Harris	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
James Pevey	Deputy Marshall	Clyde C. Scott Insurance	\$25,000
Samuel Luckey	Deputy Marshall	Clyde C. Scott Insurance	\$25,000

**TOWN OF CALEDONIA, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the year ended September 30, 2016**

<u>DEFINITION AND PURPOSE</u>	<u>Balance Outstanding 10/01/15</u>	<u>Transactions During the Fiscal Year</u>		<u>Balance Outstanding 09/30/16</u>
		<u>Borrowed</u>	<u>Redeemed</u>	
Long Term Debt:				
Water and Sewer Refunding Bond 2012	\$ 1,400,000	\$ -	\$ 145,000	\$ 1,255,000
Note Payable MS State Dept of Health	2,656,609	-	150,121	2,506,488
MDEQ Revolving Loan	<u>532,477</u>	<u>-</u>	<u>24,208</u>	<u>508,269</u>
TOTAL	\$ <u><u>4,589,086</u></u>	\$ <u><u>-</u></u>	\$ <u><u>319,329</u></u>	\$ <u><u>4,269,757</u></u>

## REPORTS ON COMPLIANCE AND INTERNAL CONTROL

**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 / Alderwoman  
Town of Caledonia, 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 Statement of Cash Receipts and Disbursements of the governmental and business-type activities of the Town of Caledonia, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Caledonia, Mississippi's basic financial statements and have issued our report thereon dated May 12, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions 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, we do not express an opinion on the effectiveness of Town of Caledonia, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [Findings No. 2016-01 and No. 2016-02].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency. [Finding No. 2016-03].

## **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, 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 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 item [Findings No. 2016-01, No. 2016-03, and No. 2016-04].

## **Town of Caledonia, Mississippi's Response to Findings**

Town of Caledonia, Mississippi's response to the findings identified in our 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, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
May 12, 2023



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen / Alderwoman  
Town of Caledonia, Mississippi

We have audited the financial statement of the Town of Caledonia, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated May 12, 2023. 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 the *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 basic financial statement disclosed the following material instance of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as findings 2016-03 and 2016.04 on pages 18 and 19. Finding 2016-04 was also listed on the Schedule of Findings and Responses in the prior year.

This report is intended for the information and use of management, federal awarding agencies, the Office of the State Auditor, and pass-through entities 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.

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
May 12, 2023



**TOWN OF CALEDONIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2016**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 2016-01 (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. An Operation and Maintenance Fund has not been established. The remaining balance in the Refunding Fund has not been transferred at year end, and 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. 2016-02 (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, 2016**

**FINDING NO. 2016-03 (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. 2016-04 (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. The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The Town did not settle the state-imposed court assessments monthly with the Mississippi Department of Finance and Administration and did not ensure full accountability for issued court tickets.

**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 implement adequate internal controls over all court collection functions and ensure full accountability of all tickets from issuance.

**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. The Town will implement a system to ensure accountability for all tickets issued by the Town.