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TOWN OF DeKALB, MISSISSIPPI

**Audited Financial Statements
For the Year Ended September 30, 2019**

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Audited Financial Statements
For the Year Ended September 30, 2019

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FINANCIAL SECTION



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

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Alderpersons
Town of DeKalb, Mississippi

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2019, and related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of September 30, 2019, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes that the Town of DeKalb, Mississippi prepares its financial statements on the cash basis of accounting, which is a comprehensive 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule's 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 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.

Omission of Required Supplementary Information

The Town of DeKalb, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of DeKalb's basic financial statements. The Schedule of Certificates of Deposits and Schedule of Surety Bonds for Municipal Officials, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the Town of DeKalb, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of DeKalb's internal control over financial reporting and compliance.

Philadelphia, Mississippi
November 24, 2020

Watkins Ward and Stafford, P.C.

BASIC FINANCIAL STATEMENTS

TOWN OF DeKALB, MISSISSIPPI
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2019

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		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 177,293	\$ -	\$ 4,072	\$ -	\$ (173,221)	\$ -	\$ (173,221)
Public safety	72,338	1,065	6,870	-	(64,403)	-	(64,403)
Court	27,831	-	-	-	(27,831)	-	(27,831)
Highways and streets	101,056	-	-	-	(101,056)	-	(101,056)
Sanitation	44,131	40,711	-	-	(3,420)	-	(3,420)
Culture and recreation	8,724	-	-	-	(8,724)	-	(8,724)
Economic development	198,170	-	174,750	-	(23,420)	-	(23,420)
Total governmental activities	<u>629,543</u>	<u>41,776</u>	<u>185,692</u>	<u>-</u>	<u>(402,075)</u>	<u>-</u>	<u>(402,075)</u>
Business-type activities:							
Water and sewer	346,549	472,513	-	-	-	125,964	125,964
Total business-type activities	<u>346,549</u>	<u>472,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,964</u>	<u>125,964</u>
Total primary government	<u>\$ 976,092</u>	<u>\$ 514,289</u>	<u>\$ 185,692</u>	<u>\$ -</u>	<u>\$ (402,075)</u>	<u>\$ 125,964</u>	<u>\$ (276,111)</u>
General receipts:							
Taxes:							
Property taxes					232,578	-	232,578
Sales and use taxes					207,795	-	207,795
Other taxes					-	-	-
Licenses and permits					5,420	-	5,420
Unrestricted investment income					1,097	1,521	2,618
Water deposit receipts					-	2,735	2,735
Miscellaneous					30,250	2,400	32,650
Transfers					20,220	(20,220)	-
Total general revenues					<u>497,360</u>	<u>(13,564)</u>	<u>483,796</u>
Change in net position					<u>95,285</u>	<u>112,400</u>	<u>207,685</u>
Net position at beginning of year					<u>303,210</u>	<u>353,195</u>	<u>656,405</u>
Net position at end of year					<u>\$ 398,495</u>	<u>\$ 465,595</u>	<u>\$ 864,090</u>

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 348,420	\$ 350,669	\$ 699,089
Restricted cash	-	20,957	20,957
Investments	<u>50,075</u>	<u>95,082</u>	<u>145,157</u>
Total assets	\$ <u><u>398,495</u></u>	\$ <u><u>466,708</u></u>	\$ <u><u>865,203</u></u>
LIABILITIES			
Due to other funds	<u>-</u>	\$ <u>1,113</u>	\$ <u>1,113</u>
Total liabilities	\$ <u>-</u>	\$ <u>1,113</u>	\$ <u>1,113</u>
NET POSITION			
Restricted:			
Restricted for meter deposits	\$ -	\$ 20,957	\$ 20,957
Unrestricted	<u>398,495</u>	<u>444,638</u>	<u>843,133</u>
Total net position	\$ <u>398,495</u>	\$ <u>465,595</u>	\$ <u>864,090</u>
Total liabilities and net position	\$ <u><u>398,495</u></u>	\$ <u><u>466,708</u></u>	\$ <u><u>865,203</u></u>

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Disbursements, and Changes in Cash Basis Fund Balances
For the Year Ended September 30, 2019

	Governmental Activities			Business-type Activities	
	Major Funds			Major Fund	
	General Fund	ARC Grant Fund	Total	Water Fund	Total
RECEIPTS					
Taxes - ad valorem	\$ 230,187	\$ -	230,187	\$ -	\$ -
Penalties and interest on delinquent taxes	2,391	-	2,391	-	-
Licenses and permits	3,620	-	3,620	-	-
Intergovernmental revenues	220,537	174,750	395,287	-	-
Charges for services:					
Sanitation	40,711	-	40,711	-	-
Water and sewer	-	-	-	472,513	472,513
Fines and forfeitures	1,065	-	1,065	-	-
Interest	1,097	-	1,097	1,521	1,521
Rental income	30,250	-	30,250	-	-
Other	-	-	-	5,135	5,135
Total Receipts	\$ 529,858	\$ 174,750	704,608	\$ 479,169	\$ 479,169

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Disbursements, and Changes in Cash Basis Fund Balances
For the Year Ended September 30, 2019

	Governmental Activities			Business-type Activities	
	Major Funds			Major Fund	
	General Fund	ARC Grant Fund	Total	Water Fund	Total
DISBURSEMENTS					
General government	\$ 177,293	\$ -	177,293	\$ -	\$ -
Public safety	72,338	-	72,338	-	-
Court	27,831	-	27,831	-	-
Highways and streets	101,056	-	101,056	-	-
Sanitation	44,131	-	44,131	-	-
Culture and recreation	8,724	-	8,724	-	-
Economic development	3,200	194,970	198,170	-	-
Enterprise:					
Water and sewer	-	-	-	346,549	346,549
Total Disbursements	434,573	194,970	629,543	346,549	346,549
Excess (deficiency) of receipts over disbursements	95,285	(20,220)	75,065	132,620	132,620
OTHER CASH SOURCES (USES)					
Transfer in	-	20,220	20,220	-	-
Transfer out	-	-	-	(20,220)	(20,220)
Total other cash sources (uses)	-	20,220	20,220	(20,220)	(20,220)
Excess of receipts and other cash sources over disbursements and other cash uses	95,285	-	95,285	112,400	112,400
CASH BASIS FUND BALANCE - Beginning of year	303,210	-	303,210	353,195	353,195
CASH BASIS FUND BALANCE - End of year	\$ 398,495	\$ -	398,495	\$ 465,595	\$ 465,595
CASH BASIS ASSETS - End of year					
Cash and cash equivalents	\$ 348,420	\$ -	348,420	\$ 350,669	\$ 350,669
Restricted cash	-	-	-	20,957	20,957
Investments	50,075	-	50,075	95,082	95,082
Total cash basis assets	\$ 398,495	\$ -	398,495	\$ 466,708	\$ 466,708
CASH BASIS LIABILITIES - End of year					
Due to other funds	\$ -	\$ -	-	\$ 1,113	\$ 1,113
Total cash basis liabilities	\$ -	\$ -	-	\$ 1,113	\$ 1,113
CASH BASIS FUND BALANCES - End of year					
Restricted for meter deposits	-	-	-	20,957	20,957
Unrestricted	398,495	-	398,495	444,638	444,638
Total cash basis fund balances	\$ 398,495	\$ -	398,495	\$ 465,595	\$ 465,595
Total cash basis liabilities & fund balances	\$ 398,495	\$ -	398,495	\$ 466,708	\$ 466,708

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities - Cash Basis
For the Year Ended September 30, 2019

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	6,606
Due from other funds		<u>1,113</u>
Total Assets	\$	<u><u>7,719</u></u>
LIABILITIES		
Other liabilities	\$	<u>7,719</u>
Total Liabilities	\$	<u><u>7,719</u></u>

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

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

a) Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

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

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town combines the statement of activities and statement of net assets.

The statements of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct disbursements are those that are clearly identifiable within a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported as general receipts.

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

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

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

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

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

ARC Grant – This special revenue fund accounts for the revenue and disbursements related to a Appalachian Regional Commission Grant received by the Town for improvement to public sewer facilities.

Additionally, the Town reports the following fund type:

Proprietary Funds

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

Amounts reported as program receipts include 1) receipts from customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

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

c) Assets and Net Position

1. Cash and Investments

The government’s cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit with less than a three month maturity when acquired. The government’s investments are considered to be certificates of deposit with more than a three month maturity from the date of the financial statements.

2. Net Position

The Town’s government-wide net position is divided into the following components:

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

Unrestricted – remaining net position is reported in this category.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 2 – Cash, Cash Equivalents, and Investments

The carrying amounts of the Town’s total deposits with financial institutions at September 30, 2019, are summarized as follows:

Governmental and Business-Type Activities:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 720,046	\$ 731,522
Investments	<u>145,157</u>	<u>146,948</u>
Total Deposits	<u>\$ 865,203</u>	<u>\$ 878,470</u>

Fiduciary Activities:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 6,606	\$ 19,483
Total Deposits	<u>\$ 6,606</u>	<u>\$ 19,483</u>

Of the bank balance, \$500,000 was covered by Federal depository insurance.

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2019, none of the Town’s bank balance of \$878,470 was exposed to custodial credit risk.

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2019, the Town had no investments other than certificates of deposit.

Note 3 – Property Tax

The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Kemper County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2019, were approximately 125% of the total tax levy.

The tax rate levied by the Town for fiscal year 2019 was set at 33.00 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$3.30
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Note 4 – Defined Benefit Pension Plan

Public Employees' Retirement System

Plan Description – The Town of DeKalb, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy – PERS members were required to contribute 9.00% of their annual covered salary for fiscal year 2019. The Town of DeKalb, Mississippi is required to contribute at an actuarially determined rate. This rate was 15.75% of annual covered payroll through June 19, 2019 and 17.4% starting July 19, 2019 for the fiscal year ended September 30, 2019. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of DeKalb, Mississippi's contributions to PERS for the years ended September 30, 2019, 2018, and 2017 were \$43,243, \$43,416 and \$42,671, respectively.

Pension Liability – At September 30, 2019, the Town of DeKalb had a liability of \$735,169 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of its long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Town's proportion was 0.004179 percent.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 5 – Contingencies

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

Note 6 – Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss other than workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

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

Note 7 – Subsequent Events

Events that occur after the Statement of Activities and Net Position – Cash Basis date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Activities and Net Position – Cash Basis date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Activities and Net Position – Cash Basis date require disclosure in the accompanying notes. Management of the Town of DeKalb evaluated the activity of the Town through November 24, 2020 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to financial statements.

On March, 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. The Town currently has been able to continue its operations and will be able to in the foreseeable future; however, management does recognize that a true assessment of the severity of the potential impact is premature at this point.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DeKALB, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Taxes - ad valorem	\$ 203,300	\$ 203,300	\$ 230,187	\$ 26,887
Penalties and interest	1,000	1,000	2,391	1,391
Licenses and permits	3,400	3,400	3,620	220
Intergovernmental revenues	235,500	235,500	220,537	(14,963)
Charges for services	40,000	40,000	40,711	711
Fines and forfeitures	1,500	1,500	1,065	(435)
Interest	100	100	1,097	997
Rental Income	27,000	27,000	30,250	3,250
Other	-	-	-	-
Total receipts	<u>511,800</u>	<u>511,800</u>	<u>529,858</u>	<u>18,058</u>
Disbursements:				
General government	\$ 197,412	\$ 197,412	\$ 177,293	\$ 20,119
Public safety	98,150	101,359	72,338	29,021
Court	27,313	27,975	27,831	144
Highways and streets	124,497	120,625	101,056	19,569
Sanitation	48,728	48,728	44,131	4,597
Culture and recreation	12,000	13,200	8,724	4,476
Economic development	3,700	3,700	3,200	500
Total disbursements	<u>511,800</u>	<u>512,999</u>	<u>434,573</u>	<u>78,426</u>
Excess of receipts over disbursements	<u>-</u>	<u>(1,199)</u>	<u>95,285</u>	<u>96,484</u>
Net Change in Fund Balance	-	(1,199)	95,285	96,484
Cash Basis Fund Balance - Beginning	<u>303,210</u>	<u>303,210</u>	<u>303,210</u>	<u>-</u>
Cash Basis Fund Balance - Ending	<u>\$ 303,210</u>	<u>\$ 302,011</u>	<u>\$ 398,495</u>	<u>\$ 96,484</u>

TOWN OF DeKALB, MISSISSIPPI
Budgetary Comparison Schedule - ARC Grant Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Intergovernmental revenues	\$ -	\$ 174,750	\$ 174,750	\$ -
Total receipts	-	174,750	174,750	-
Disbursements:				
Economic development	\$ -	\$ 194,970	\$ 194,970	\$ -
Total disbursements	-	194,970	194,970	-
Excess of receipts over disbursements	-	(20,220)	(20,220)	-
Other Cash Sources				
Transfer in	\$ -	\$ 20,220	\$ 20,220	\$ -
Total other cash sources	-	20,220	20,220	-
Net Change in Fund Balance	-	-	-	-
Cash Basis Fund Balance - Beginning	-	-	-	-
Cash Basis Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

TOWN OF DeKALB, MISSISSIPPI
Notes to Required Supplementary Information

(1) Budgetary Information

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

(2) Basis of Presentation

The Budgetary Comparison Schedule – General Fund presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts for the General Fund.

The Budgetary Comparison Schedule – ARC Grant Fund presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts for the ARC Grant Fund.

(3) Budget Reconciliation

As discussed in Note 1, the financial statements are prepared on the cash basis of accounting which is the same as the basis used for budget preparation.

SUPPLEMENTAL AND OTHER INFORMATION

TOWN OF DeKALB, MISSISSIPPI
Schedule of Certificates of Deposit - All Funds
September 30, 2019

Schedule I

	<u>Deposit Amount</u>
Certificate of Deposit with The Citizens Bank Maturing 10/5/2019, Rate .20%	\$ 15,148
Certificate of Deposit with The Citizens Bank Maturing 3/12/20, Rate .25%	10,000
Certificate of Deposit with The Commercial Bank Maturing 6/3/20, Rate 2.18%	40,075
Certificate of Deposit with The Commercial Bank Maturing 12/7/19, Rate 1.49%	30,000
Certificate of Deposit with The Citizens Bank Maturing 2/17/20, Rate .25%	25,684
Certificate of Deposit with The Citizens Bank Maturing 1/30/20, Rate .25%	31,327
Certificate of Deposit with The Citizens Bank Maturing 3/14/20, Rate .25%	38,071
Certificate of Deposit with The Commercial Bank Maturing 12/7/19, Rate 1.49%	<u>30,000</u>
	\$ <u>220,305</u>
Fund Recap:	
General Fund-Cash Equivalents	\$ 45,148
General Fund-Investments	50,075
Water and Sewer Fund-Cash Equivalents	30,000
Water and Sewer Fund-Investments	<u>95,082</u>
	\$ <u>220,305</u>

Schedule II**TOWN OF DeKALB, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2019**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Clark Adams	Mayor	Travelers	\$ 50,000
Keith Barnes	Alderman	Travelers	50,000
Mary Donald	Alderman	Travelers	50,000
Tracy Naylor	Alderman	Travelers	50,000
Mamie Alexander	Alderman	Travelers	50,000
Bessie Gale	Alderman	Travelers	50,000
Brenda Nelson	Town Clerk	Western Surety	50,000
Ruby Rush	Deputy Clerk	Western Surety	50,000

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

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

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

Honorable Mayor and Board of Alderpersons
Town of DeKalb, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of DeKalb, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of DeKalb, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of DeKalb, Mississippi's internal control.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2019-01, which we consider to be a material weakness.

Compliance and Other Matters

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

Town of DeKalb, Mississippi's Response to Finding

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

Purpose of this Report

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

Philadelphia, Mississippi
November 24, 2020

Watkins Ward and Stafford, PLLC

TOWN OF DeKALB, MISSISSIPPI
Schedule of Findings
For the Year Ended September 30, 2019

Material Weakness

Bank Statements Should Be Reconciled To The General Ledger

2019-01

Finding

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

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

Recommendation

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

Response

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



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

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

We have audited the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of DeKalb, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements and have issued our report thereon dated November 24, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as described in Note 1.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of DeKalb, Mississippi's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Philadelphia, Mississippi
November 24, 2020

Watkins Ward and Stafford, P.C.