

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 DeKALB, MISSISSIPPI

**Audited Financial Statements
For the Year Ended September 30, 2020**

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Audited Financial Statements
For the Year Ended September 30, 2020

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FINANCIAL SECTION



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

James L. Stafford, CPA	John N. Russell, CPA
Harry W. Stevens, CPA	Anita L. Goodrum, CPA
S. Keith Winfield, CPA	Ricky D. Allen, CPA
William B. Staggers, CPA	Jason D. Brooks, CPA
Michael W. McCully, CPA	Robert E. Cordle, Jr., CPA
R. Steve Sinclair, CPA	Perry C. Rackley, Jr., CPA
Marsha L. McDonald, CPA	Jerry L. Gammel, CPA
Wanda S. Holley, CPA	Michael C. Knox, CPA
Robin Y. McCormick, CPA/PFS	Clifford P. Stewart, CPA
J. Randy Scrivner, CPA	Edward A. Maxwell, CPA
Kimberly S. Caskey, CPA	Bradley L. Harrison, CPA
Susan M. Lummus, CPA	Justin H. Keller, CPA
Stephen D. Flake, 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, 2020, 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, 2020, 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. Management has omitted the Schedule of Capital Assets from the Supplemental and Other Information. 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 21, 2023, 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 21, 2023

Watkins Ward and Stafford, P.C.

BASIC FINANCIAL STATEMENTS

TOWN OF DeKALB, MISSISSIPPI
Statement of Net Position - Cash Basis
September 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 523,299	\$ 447,313	\$ 970,612
Restricted cash	-	22,447	22,447
Investments	<u>236,675</u>	<u>95,082</u>	<u>331,757</u>
Total assets	<u>\$ 759,974</u>	<u>\$ 564,842</u>	<u>\$ 1,324,816</u>
LIABILITIES			
Internal balances	<u>\$ 270</u>	<u>\$ 1,113</u>	<u>\$ 1,383</u>
Total liabilities	<u>\$ 270</u>	<u>\$ 1,113</u>	<u>\$ 1,383</u>
NET POSITION			
Restricted:			
Restricted for meter deposits	\$ -	\$ 22,447	\$ 22,447
Unrestricted	<u>759,704</u>	<u>541,282</u>	<u>1,300,986</u>
Total net position	<u>\$ 759,704</u>	<u>\$ 563,729</u>	<u>\$ 1,323,433</u>
Total liabilities and net position	<u>\$ 759,974</u>	<u>\$ 564,842</u>	<u>\$ 1,324,816</u>

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Activities - Cash Basis
For the Year Ended September 30, 2020

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	\$ 197,245	\$ -	\$ 7,452	\$ 44,600	\$ (145,193)	\$ -	\$ (145,193)
Public safety	128,238	-	7,022	-	(121,216)	-	(121,216)
Court	23,611	-	-	-	(23,611)	-	(23,611)
Highways and streets	100,024	-	-	9,900	(90,124)	-	(90,124)
Sanitation	41,274	39,621	-	-	(1,653)	-	(1,653)
Culture and recreation	10,083	-	-	-	(10,083)	-	(10,083)
Economic development	287,400	-	283,700	-	(3,700)	-	(3,700)
Total governmental activities	<u>787,875</u>	<u>39,621</u>	<u>298,174</u>	<u>54,500</u>	<u>(395,580)</u>	<u>-</u>	<u>(395,580)</u>
Business-type activities:							
Water and sewer	<u>386,972</u>	<u>460,402</u>	<u>-</u>	<u>9,900</u>	<u>-</u>	<u>83,330</u>	<u>83,330</u>
Total business-type activities	<u>386,972</u>	<u>460,402</u>	<u>-</u>	<u>9,900</u>	<u>-</u>	<u>83,330</u>	<u>83,330</u>
Total primary government	<u>\$ 1,174,847</u>	<u>\$ 500,023</u>	<u>\$ 298,174</u>	<u>\$ 64,400</u>	<u>\$ (395,580)</u>	<u>\$ 83,330</u>	<u>\$ (312,250)</u>
General receipts:							
Taxes:							
Property taxes					220,706	-	220,706
Sales and use taxes					190,504	-	190,504
Licenses and permits					6,271	-	6,271
Unrestricted investment income					13,252	9,809	23,061
Water deposit receipts					-	3,995	3,995
Proceeds from sale of assets					320,025	-	320,025
Miscellaneous					6,000	1,000	7,000
Total general revenues					<u>756,758</u>	<u>14,804</u>	<u>771,562</u>
Change in net position					<u>361,178</u>	<u>98,134</u>	<u>459,312</u>
Net position at beginning of year					<u>398,495</u>	<u>465,595</u>	<u>864,090</u>
Prior period adjustment					<u>31</u>	<u>-</u>	<u>31</u>
Net position at beginning of year, as restated					<u>398,526</u>	<u>465,595</u>	<u>864,121</u>
Net position at end of year					<u>\$ 759,704</u>	<u>\$ 563,729</u>	<u>\$ 1,323,433</u>

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

TOWN OF DeKALB, MISSISSIPPI
Balance Sheet - Cash Basis
Governmental Funds
September 30, 2020

	<u>General Fund</u>	<u>Public Facility Grant Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 523,299	\$ -	\$ 523,299
Investments	<u>236,675</u>	<u>-</u>	<u>236,675</u>
Total assets	<u>\$ 759,974</u>	<u>\$ -</u>	<u>\$ 759,974</u>
LIABILITIES			
Due to other funds	\$ <u>270</u>	\$ <u>-</u>	\$ <u>270</u>
Total liabilities	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 270</u>
FUND BALANCES			
Unassigned	\$ <u>759,704</u>	\$ <u>-</u>	\$ <u>759,704</u>
Total fund balances	<u>\$ 759,704</u>	<u>\$ -</u>	<u>\$ 759,704</u>
Total liabilities and fund balances	<u>\$ 759,974</u>	<u>\$ -</u>	<u>\$ 759,974</u>

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Public Facility Grant Fund	Total
RECEIPTS			
Taxes - ad valorem	\$ 219,158	\$ -	\$ 219,158
Penalties and interest on delinquent taxes	1,548	-	1,548
Licenses and permits	6,270	-	6,270
Intergovernmental revenues	259,479	283,700	543,179
Charges for services:			
Sanitation	39,621	-	39,621
Interest	13,252	-	13,252
Rental income	6,000	-	6,000
Total Receipts	545,328	283,700	829,028
DISBURSEMENTS			
General government	197,245	-	197,245
Public safety	128,238	-	128,238
Court	23,611	-	23,611
Highways and streets	100,024	-	100,024
Sanitation	41,274	-	41,274
Culture and recreation	10,083	-	10,083
Economic development	3,700	283,700	287,400
Total Disbursements	504,175	283,700	787,875
Excess (deficiency) of receipts over disbursements	41,153	-	41,153
OTHER CASH SOURCES (USES)			
Proceeds from sale of assets	320,025	-	320,025
Total other cash sources (uses)	320,025	-	320,025
Excess of receipts and other cash sources over disbursements and other cash uses	361,178	-	361,178
CASH BASIS FUND BALANCE -			
Beginning of year	398,495	-	398,495
Prior period adjustment	31		31
Beginning of year, as restated	398,526		398,526
CASH BASIS FUND BALANCE -			
End of year	\$ 759,704	\$ -	\$ 759,704

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Net Position - Cash Basis
Proprietary Funds
September 30, 2020

	Water Sewer Fund
ASSETS	
Cash and cash equivalents	\$ 447,313
Restricted cash	22,447
Investments	<u>95,082</u>
Total assets	<u>\$ 564,842</u>
LIABILITIES	
Due to other funds	\$ <u>1,113</u>
Total liabilities	<u>\$ 1,113</u>
NET POSITION	
Restricted:	
Restricted for meter deposits	\$ 22,447
Unrestricted	<u>541,282</u>
Total net position	<u>\$ 563,729</u>
Total liabilities and net position	<u>\$ 564,842</u>

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

TOWN OF DeKALB, MISSISSIPPI
Statement of Cash Receipts, Disbursements, and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended September 30, 2020

	Water Sewer Fund
OPERATING REVENUES	
Sales to customers	\$ 460,402
Other revenue	4,995
Total Operating Revenues	465,397
OPERATING EXPENSES	
Personnel services	210,484
Maintenance	6,263
Materials and supplies	22,752
Utilities	62,225
Other services and charges	39,938
Total Operating Expenses	341,662
OPERATING INCOME	123,735
NON-OPERATING REVENUES (EXPENSES)	
Contribution from federal grant	9,900
Interest income	9,809
Capital outlay	(45,310)
Total Non-Operating Revenues (Expenses)	(25,601)
CHANGE IN NET POSITION	98,134
NET POSITION - BEGINNING	465,595
NET POSITION - ENDING	\$ 563,729

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, 2020

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	6,036
Due from other funds		<u>1,383</u>
Total Assets	\$	<u><u>7,419</u></u>
LIABILITIES		
Other liabilities	\$	<u>7,419</u>
Total Liabilities	\$	<u><u>7,419</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.

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund balances, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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, Governmental Funds, Proprietary Funds, and Fiduciary Funds 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.

Public Facility Grant – This special revenue fund accounts for the revenue and disbursements related to a Mississippi Development Authority 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.

Fiduciary Funds

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the Town, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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 Equity

1. Cash and Investments

The government’s cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit with less than a three month maturity when acquired. 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. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted.”

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the Town’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications that can be used by the Town:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form or amounts that are legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Alderpersons, the Town’s highest level of decision-making authority. This formal action is an order of the Board of Alderpersons as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the Town’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Mayor and the Town Clerk pursuant to authorization established by the Town’s approved fund balance policy.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if disbursements paid for specific purposes exceeded

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the Town's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Town's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 – Cash, Cash Equivalents, and Investments

The carrying amounts of the Town's total deposits with financial institutions at September 30, 2020, are summarized as follows:

Governmental and Business-Type Activities:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 993,059	\$ 1,023,911
Investments	<u>331,757</u>	<u>316,669</u>
Total Deposits	<u><u>\$ 1,324,816</u></u>	<u><u>\$ 1,340,580</u></u>

Fiduciary Activities:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ <u>6,036</u>	\$ <u>11,640</u>
Total Deposits	<u><u>\$ 6,036</u></u>	<u><u>\$ 11,640</u></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, 2020, none of the Town's bank balance of \$1,340,580 was exposed to custodial credit risk.

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

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

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 no investments, other than certificates of deposit, as of September 30, 2020.

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, 2020, the Town had the following investments:

Issuer	Fair Value	% of Total Investments
The Citizens Bank - Certificates of Deposit	\$ 63,368	19%
The Commercial Bank - Certificates of Deposit	268,389	81%
	<u>\$ 331,757</u>	<u>100%</u>

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, 2020, were approximately 155% of the total tax levy.

The tax rate levied by the Town for fiscal year 2020 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

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 4 – Defined Benefit Pension Plan (Continued)

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 2020. The Town of DeKalb, Mississippi is required to contribute at an actuarially determined

rate. This rate was 17.4% for the fiscal year ended September 30, 2020. 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, 2020, 2019, and 2018 were \$45,361, \$43,243 and \$43,416, respectively.

Pension Liability – At September 30, 2020, the Town of DeKalb had a liability of \$745,315 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was 0.003850 percent.

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.

COVID-19 – Since the advent of the COVID-19 pandemic in March 2020, Town of DeKalb has maintained relative operating normalcy. Management has evaluated the potential impact of the pandemic on its operations. The Town's operations are based on tax collections, garbage fees, water and sewer sales which are all needed by the population of the town so operations will continue for the foreseeable future; however, management does recognize the severity of the potential impact of COVID-19.

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

TOWN OF DeKALB, MISSISSIPPI
Notes to Financial Statements

Note 6 – Risk Management (Continued)

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 21, 2023 (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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DeKALB, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance With Final Budget Positive Negative
	Original	Final		
Receipts:				
Taxes - ad valorem	\$ 204,900	\$ 225,400	\$ 219,158	\$ (6,242)
Penalties and interest	1,000	1,000	1,548	548
Licenses and permits	3,900	5,900	6,270	370
Intergovernmental revenues	197,359	200,859	259,479	58,620
Charges for services	40,000	40,000	39,621	(379)
Fines and forfeitures	1,500	1,500	-	(1,500)
Interest	150	7,150	13,252	6,102
Rental income	15,000	15,000	6,000	(9,000)
Other	-	66,900	-	(66,900)
Total receipts	<u>463,809</u>	<u>563,709</u>	<u>545,328</u>	<u>(18,381)</u>
Disbursements:				
General government	\$ 195,792	\$ 199,646	\$ 197,245	\$ 2,401
Public safety	98,150	128,662	128,238	424
Court	21,755	23,853	23,611	242
Highways and streets	85,532	151,695	100,024	51,671
Sanitation	46,880	45,117	41,274	3,843
Culture and recreation	12,000	11,036	10,083	953
Economic development	3,700	3,700	3,700	-
Total disbursements	<u>463,809</u>	<u>563,709</u>	<u>504,175</u>	<u>59,534</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>41,153</u>	<u>41,153</u>
Other cash sources (uses):				
Proceeds from sale of assets	<u>-</u>	<u>320,025</u>	<u>320,025</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>320,025</u>	<u>361,178</u>	<u>41,153</u>
Cash Basis Fund Balance - Beginning	303,210	303,210	398,495	95,285
Prior period adjustment	<u>-</u>	<u>-</u>	<u>31</u>	<u>31</u>
Cash Basis Fund Balance - Beginning, as restated	303,210	303,210	398,526	95,316
Cash Basis Fund Balance - Ending	<u>\$ 303,210</u>	<u>\$ 623,235</u>	<u>\$ 759,704</u>	<u>\$ 136,469</u>

The notes to required supplementary information are an integral part of this schedule.

TOWN OF DeKALB, MISSISSIPPI
Budgetary Comparison Schedule - Public Facility Grant Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Intergovernmental revenues	\$ -	\$ 283,700	\$ 283,700	\$ -
Total receipts	-	283,700	283,700	-
Disbursements:				
Economic development	\$ -	\$ 283,700	\$ 283,700	\$ -
Total disbursements	-	283,700	283,700	-
Excess of receipts over disbursements	-	-	-	-
Other Cash Sources				
Transfer in	\$ -	\$ -	\$ -	\$ -
Total other cash sources	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Cash Basis Fund Balance - Beginning	-	-	-	-
Cash Basis Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to required supplementary information are an integral part of this schedule.

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 – Public Facility 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 Public Facility 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, 2020

Schedule I

	<u>Deposit Amount</u>
Certificate of Deposit with The Citizens Bank Maturing 3/28/21, Rate .20%	15,297
Certificate of Deposit with The Citizens Bank Maturing 3/07/21 Rate .20%	10,000
Certificate of Deposit with The Commercial Bank Maturing 06/3/22, Rate .345%	42,444
Certificate of Deposit with The Commercial Bank Maturing 12/07/20 Rate .595%	31,192
Certificate of Deposit with The Commercial Bank Maturing 10/15/20, Rate .145%	150,880
Certificate of Deposit with The Commercial Bank Maturing 02/19/22, Rate 1.985%	56,311
Certificate of Deposit with The Commercial Bank Maturing 02/19/22, Rate 1.985%	56,311
Certificate of Deposit with The Commercial Bank Maturing 02/19/22, Rate 1.985%	56,312
Certificate of Deposit with The Commercial Bank Maturing 02/11/21, Rate .20%	25,684
Certificate of Deposit with The Commercial Bank Maturing 03/09/21, Rate .20%	31,327
Certificate of Deposit with The Citizens Bank Maturing 03/09/21 Rate .20%	38,071
Certificate of Deposit with The Commercial Bank Maturing 12/07/20, Rate .595%	<u>30,000</u>
	\$ <u>543,829</u>
Fund Recap:	
General Fund-Cash Equivalents	\$ 182,072
General Fund-Investments	236,675
Water and Sewer Fund-Cash Equivalents	30,000
Water and Sewer Fund-Investments	<u>95,082</u>
	\$ <u>543,829</u>

Schedule II**TOWN OF DeKALB, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2020**

<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	John N. Russell, CPA
Harry W. Stevens, CPA	Anita L. Goodrum, CPA
S. Keith Winfield, CPA	Ricky D. Allen, CPA
William B. Staggers, CPA	Jason D. Brooks, CPA
Michael W. McCully, CPA	Robert E. Cordle, Jr., CPA
R. Steve Sinclair, CPA	Perry C. Rackley, Jr., CPA
Marsha L. McDonald, CPA	Jerry L. Gammel, CPA
Wanda S. Holley, CPA	Michael C. Knox, CPA
Robin Y. McCormick, CPA/PFS	Clifford P. Stewart, CPA
J. Randy Scrivner, CPA	Edward A. Maxwell, CPA
Kimberly S. Caskey, CPA	Bradley L. Harrison, CPA
Susan M. Lummus, CPA	Justin H. Keller, CPA
Stephen D. Flake, 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, 2020, 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 21, 2023.

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 certain deficiencies in internal control, described in the accompanying schedule of findings as Finding 2020-01 and 2020-02, which we consider to be material weaknesses.

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

Purpose of this Report

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

Philadelphia, Mississippi
November 21, 2023

Watkins Ward and Stafford, PLLC

TOWN OF DeKALB, MISSISSIPPI
Schedule of Findings
For the Year Ended September 30, 2020

Material Weakness

Bank Statements Should Be Reconciled To The General Ledger

2020-01 **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.

Material Weakness

The Town Should Have Adequate Segregation Of Duties

2020-02 **Finding**

Segregation of duties is a key component of any internal control environment, with the primary objective being the prevention of fraud and errors. The objective is achieved through the separation of the functional responsibilities of a financial transaction among different individuals. Ideally, no single individual should be able to initiate, record, authorize, and reconcile a transaction.

During our walkthrough and tests of cash, we noted that the Town of DeKalb has not separated the functional responsibilities of financial transactions or adequately applied internal control procedures due, in part, to a limited number of employees. The lack of segregation of duties could result in misstatements, whether caused by fraud or error, that would not be prevented or detected in a timely manner.

Recommendation

We recommend the Town review the internal control structure of the Town and, to the extent feasible, establish procedures that reduce the risk of misstatements that would not be prevented or detected in a timely manner.

Response

The Town will segregate duties of the employees and establish such internal control procedures as economically feasible considering the number of office employees of the Town.



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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, 2020, which collectively comprise the Town of DeKalb, Mississippi's basic financial statements and have issued our report thereon dated November 21, 2023. 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 21, 2023

Watkins Ward and Stafford, P.C.