

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 NEW HOULKA, MISSISSIPPI

AUDITED FINANCIAL STATEMENT

SEPTEMBER 30, 2021

TOWN OF NEW HOULKA, MISSISSIPPI
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Professional Limited Liability Company
Certified Public Accountants

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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
Town of New Houlika
New Houlika, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements of the Town of New Houlika, Mississippi, as of and for the year ended September 30, 2021, and the related notes to financial statement, as listed in the contents.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town of New Houlika, Mississippi's preparation and fair presentation of the financial statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective results of operations – cash basis of the governmental funds and the proprietary fund of the Town of New Houlka, Mississippi for the year ended September 30, 2021, in accordance with the cash basis of accounting described in Note 1 of the financial statement.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of New Houlka, Mississippi. The schedule of investments, schedule of long-term debt, and schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the Statement of Cash Receipts and Disbursements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of investments, schedule of long-term debt, schedule of surety bonds for municipal officials, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Statement of Cash Receipts and Disbursements. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement of Cash Receipts and Disbursements or to the Statement of Cash Receipts and Disbursements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of investments, schedule of long-term debt, schedule of surety bonds for municipal officials, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the Statement of Cash Receipts and Disbursements.

Omission of Other Information

The Town of New Houlka, Mississippi has omitted the schedule of capital assets, as prescribed by the Office of the State Auditor to be presented to supplement the basic financial statement. The information needed to compile the schedule of capital assets was not available, and therefore, the schedule of capital assets is not presented as supplemental information. Our opinion on the basic financial statement is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023 on our consideration of the Town of New Houlka, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of New Houlka, Mississippi's internal control over financial reporting and compliance.

Houston, Mississippi
December 27, 2023

Watkins Ward and Stafford, PLLC

BASIC FINANCIAL STATEMENT

TOWN OF NEW HOULKA, MISSISSIPPI
Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2021

	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES
	GENERAL FUNDS	SPECIAL REVENUE	CAPITAL PROJECTS	TOTALS	PROPRIETARY FUND
RECEIPTS					
Taxes					
Property Taxes	\$ 142,661	-	-	142,661	-
Licenses and Permits					
Privilege Licenses	1,090	-	-	1,090	-
Utility Franchise Charges	11,213	-	-	11,213	-
Intergovernmental Revenues					
State Shared Revenue					
MDEQ Grant	-	-	1,119,361	1,119,361	-
Sales Tax	97,217	-	-	97,217	-
TVA Housing	6,434	-	-	6,434	-
Homestead Exemption Reimb	7,185	-	-	7,185	-
TVA Payment in Lieu	7,080	-	-	7,080	-
Fire Protection Allocation	2,655	-	-	2,655	-
Gasoline Tax	1,917	-	-	1,917	-
General Municipal Aid	312	-	-	312	-
ARPA Grant	-	74,614	-	74,614	-
Charges for Governmental Services					
Water and Sewer	-	-	-	-	453,188
Rentals	750	-	-	750	-
Fines & Forfeits	4,766	-	-	4,766	-
Miscellaneous Revenues	1,087	-	-	1,087	1,293
Total Receipts	<u>284,367</u>	<u>74,614</u>	<u>1,119,361</u>	<u>1,478,342</u>	<u>454,481</u>
DISBURSEMENTS					
General Government	101,427	-	-	101,427	-
Public Safety	117,817	-	-	117,817	-
Culture and recreation					
Parks and recreation	773	-	-	773	-
Library	2,748	-	-	2,748	-
Highway & Streets	28,830	28,905	-	57,735	-
Public Property Utilities	13,067	-	-	13,067	-
Water & Sewer	-	-	-	-	324,849
Sewer Projects	-	-	1,119,361	1,119,361	-
Redemption of Principal	-	-	-	-	37,795
Equipment Purchase	-	-	-	-	45,467
Debt Service Interest	-	-	-	-	13,074
Total Disbursements	<u>\$ 264,662</u>	<u>28,905</u>	<u>1,119,361</u>	<u>1,412,928</u>	<u>421,185</u>
Excess of Receipts Over Disbursements	<u>19,705</u>	<u>45,709</u>	<u>-</u>	<u>65,414</u>	<u>33,296</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	34,524	30	-	34,554	-
Transfers Out	-	-	-	-	(34,554)
Total Other Financing Sources (Uses)	<u>34,524</u>	<u>30</u>	<u>-</u>	<u>34,554</u>	<u>(34,554)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>54,229</u>	<u>45,739</u>	<u>-</u>	<u>99,968</u>	<u>(1,258)</u>
CASH BASIS FUND BALANCE -					
Beginning of Year	<u>138,051</u>	<u>33,198</u>	<u>-</u>	<u>171,249</u>	<u>195,470</u>
CASH BASIS FUND BALANCE -					
End of Year	<u>\$ 192,280</u>	<u>78,937</u>	<u>-</u>	<u>271,217</u>	<u>194,212</u>

The accompanying notes to financial statement are an integral part of this financial statement.

TOWN OF NEW HOULKA, MISSISSIPPI
Notes to Financial Statement

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The Town of New Houka, Mississippi, was incorporated in 1904. The Town operates under a Mayor-Board of Aldermen form of government and provides all of the rights and privileges provided by statute for municipalities.

b. Fund Accounting

The accounts of the Town of New Houka, Mississippi are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into fund types and categories as follows:

Governmental Funds

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

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

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes.

Proprietary Fund

Enterprise Fund – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Proprietary Fund is the Water and Sewer Fund. It accounts for the activities of providing water and sewer services to citizens of the Town.

c. Basis of Accounting

The financial statement is prepared on a cash basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received (cash receipts) rather than when earned and certain expenses are recognized when paid (cash disbursements) rather than when the obligation is incurred.

TOWN OF NEW HOULKA, MISSISSIPPI
Notes to Financial Statement

Note 1: Summary of Significant Accounting Policies (Continued)

d. Encumbrances

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

e. Budgets and Budgetary Accounting

The Town of New Houka, Mississippi follows these procedures in establishing the budgetary data:

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

f. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Accounts

The obligation for compensated absences is determined to be a long term debt. Town of New Houka, Mississippi's policy on annual leave is it must be taken within the year accrued based on a calendar year. The compensated absences balance at September 30 is immaterial; therefore it is not recorded in the Schedule of Long-Term Debt.

TOWN OF NEW HOULKA, MISSISSIPPI
Notes to Financial Statement

Note 2: Cash and Other Deposits

At the end of the year, the Town of New Houka, Mississippi's carrying amount of deposits was \$465,428, and the bank balance was \$478,673. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Town of New Houka, Mississippi's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All of the Town's funds eligible to be included in the state's collateral pool program were not properly included and fully collateralized as of September 30, 2021.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the 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 deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that 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, 2021, \$228,673 of the Town's bank balance of \$478,673 was not included in the state's collateral pool, and consequently exposed to custodial credit risk.

Note 3: Interfund Transfers

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Proprietary Fund</u>
Transfers In	\$ 34,524	\$ 30	\$ -	\$ -
Transfers Out	-	-	-	(34,554)
	<u>\$ 34,524</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ (34,554)</u>

The above interfund transfers are transfers made from one account to another to cover monthly expenses.

Note 4: Report Classifications

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

TOWN OF NEW HOULKA, MISSISSIPPI
Notes to Financial Statement

Note 5: Defined Benefit Pension Plan

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

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and the Town of New Houka, Mississippi is required to contribute at an actuarially determined rate, which was increased to 17.4% from 15.75% of covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of New Houka, Mississippi's contributions to PERS for the years ending September 30, 2021, 2020 and 2019 were \$36,825, \$36,808, \$32,375 respectively, equal to the required contributions for each year.

Note 6: Property Taxes

The Town of New Houka, Mississippi uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year, and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1. The millage rate for the Town of New Houka, Mississippi for the fiscal year ended September 30, 2021 was 46.25 mills for general purposes.

Note 7: Risk Management

The Town of New Houka, Mississippi 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 of New Houka, Mississippi purchases coverage of risks of loss related to theft of, damage to and destruction of assets from commercial insurance carriers.

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 of New Houka, Mississippi 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.

Under *GASB Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statement and that the amount of the loss can be reasonably estimated. The Town of New Houlka, Mississippi has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2021; therefore, no liability has been accrued at this time.

Note 8: Subsequent Events

Events that occur after the Statement of Cash Receipts and Disbursements date but before the financial statement is 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 Cash Receipts and Disbursements date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the Statement of Cash Receipts and Disbursements date require disclosure in the accompanying notes. Management of the Town of New Houlka, Mississippi evaluated the activity of the Town through December 27, 2023, the date the financial statement was approved by the Town of New Houlka, Mississippi's management and thereby available to be released, and determined that the following subsequent event should be noted in the financial statements.

OTHER INFORMATION

TOWN OF NEW HOULKA, MISSISSIPPI
Schedule of Investments - All Funds
September 30, 2021

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Investment Cost/Value</u>
General Fund	Certificate of Deposit	0.21%	2/18/2022	\$ 25,129
General Fund	Certificate of Deposit	0.21%	10/15/2021	10,034
Proprietary Fund	Certificate of Deposit	0.21%	2/18/2022	46,429
Proprietary Fund	Certificate of Deposit	0.21%	10/15/2021	<u>20,034</u>
Total Investments				\$ <u><u>101,626</u></u>

TOWN OF NEW HOULKA, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2021

	Balance Outstanding <u>09/30/2020</u>	<u>Issued</u>	<u>Redeemed</u>	Balance Outstanding <u>09/30/2021</u>
Notes Payable:				
Rural Development Revenue Bond	5,238	-	(5,238)	-
Rural Development Revenue Bond	244,271	-	(15,159)	229,112
BancorpSouth	13,526	-	(9,491)	4,035
MDA Capital Improvement	<u>31,071</u>	<u>-</u>	<u>(3,767)</u>	<u>27,304</u>
Total Notes Payable	<u>\$ 294,106</u>	<u>-</u>	<u>(33,655)</u>	<u>\$ 260,451</u>

TOWN OF NEW HOULKA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2021

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
David Huffman	Mayor	Western Surety	\$ 50,000
K.C. Gates	Alderman	Western Surety	\$ 50,000
Kimberly Murphree	Alderwoman	Western Surety	\$ 50,000
Jerry Turner	Alderman	Western Surety	\$ 50,000
Dustin Eaton	Alderman	Western Surety	\$ 50,000
Bradley Vance	Alderman	Western Surety	\$ 50,000
Phillip Smith	Police Chief	Western Surety	\$ 50,000
Janie Tutor	City Clerk	Western Surety	\$ 50,000
Deven Moore	Deputy Clerk	Western Surety	\$ 50,000

TOWN OF NEW HOULKA, MISSISSIPPI
Schedule of Expenditures of Federal Awards
September 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal Assistance Number	Pass-through Entity Identifying Number	Provided to Subrecipient	Federal Expenditures
State of MS Commission on Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280816-01-1	\$ -	\$ 951,457
Total Expenditures of Federal Awards			\$ <u>-</u>	\$ <u>951,457</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

TOWN OF NEW HOULKA, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of New Houka, Mississippi under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of New Houka, Mississippi, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of New Houka, Mississippi.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Indirect Cost Rate

The Town of New Houka, Mississippi has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SPECIAL REPORTS



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

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

Honorable Mayor and Board of Aldermen
Town of New Houlka
New Houlka, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements of the Town of New Houlka, Mississippi as of and for the year ended September 30, 2021 and the related notes to financial statement and have issued our report thereon dated December 27, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town of New Houlka, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town of New Houlka, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of New Houlka, 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 Town of New Houlka, Mississippi's financial statement 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of New Houlka, Mississippi's financial statement is 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*.

Response to Finding

The Town of New Houlka, Mississippi's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of New Houlka, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statement, 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 Town of New Houlka, Mississippi'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 Town of New Houlka, Mississippi's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Mississippi
December 27, 2023

Watkins Ward and Stafford, PLLC



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
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Justin H. Keller, CPA

**Independent Auditors' Report on Compliance for the Major Federal Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

Honorable Mayor and Board of Aldermen
Town of New Houlka
New Houlka, Mississippi

Report on Compliance for the Major Federal Program

We have audited Town of New Houlka, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of New Houlka, Mississippi's major federal program for the year ended September 30, 2021. Town of New Houlka, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of New Houlka, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of New Houlka, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Town of New Houlka, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Town of New Houlka, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of Town of New Houlka, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of New Houlka, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of New Houlka, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houston, Mississippi
December 27, 2023

Watkins Ward and Stafford, P.C.



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

Honorable Mayor and Board of Aldermen
Town of New Houlka
New Houlka, Mississippi

We have audited the Statement of Cash Receipts and Disbursements of the Town of New Houlka, Mississippi as of and for the year ended September 30, 2021 and have issued our report thereon dated December 27, 2023. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instance of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Municipalities in the State of Mississippi Should Advertise for Depositories

Finding

Section 27-105-305 and 27-105-353, Miss Code Ann. (1972) requires local governments to advertise for their depositories.

During our testing of compliance with Section 27-105-305 and 27-105-353, Miss Code Ann. (1972) we noted that the required advertisements for depositories were not done.

Recommendation

We recommend the Town comply with Section 27-105-305 and 27-105-353, Miss Code Ann. (1972) in advertising for bids in the selection of qualified depositories.

Response

We will comply with Section 27-105-305 and 27-105-353, Miss Code Ann. (1972) and advertise for bids in the selection of qualified depositories.

2. Collateralization of Public Funds

Finding

Section 27-105-5, Miss Code Ann. (1972) requires local governments to collateralize all public funds that exceed the threshold of protection provided by the FDIC.

During our testing of compliance with Section 27-105-5, Miss Code Ann. (1972) we noted that the required amount of collateralization for the Town was not met.

Recommendation

We recommend the Town comply with Section 27-105-5, Miss Code Ann. (1972) in collateralizing public funds held by banks.

Response

We will comply with Section 27-105-5, Miss Code Ann. (1972) and collateralize all public funds held by the Town.

3. Purchasing and Receiving

Finding

Section 31-7-13, Miss Code Ann. (1972) requires local governments to make purchases based on the following:

Purchases up to \$5,000 do not require bids

Purchases over \$5,000 up to \$50,000 requires at least two written quotes or bids

Purchases over \$50,000 requires advertisement for bids

During our testing of compliance with Section 31-7-13, Miss Code Ann. (1972) we noted that that there was playground equipment purchased in the amount of \$17,436 that had no written quotes or bids prior to purchase.

Recommendation

We recommend the Town comply with Section 31-7-13, Miss Code Ann. (1972) in regards to getting quotes and or bids when making purchases that would require such.

Response

We will comply with Section 31-7-13, Miss Code Ann. (1972) and get the appropriate quotes or bids when making these types of purchases.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

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

Houston, Mississippi
December 27, 2023

Watkins Ward and Stafford, PLLC

Town of New Houlka, Mississippi
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2021

In connection with our audit of the Statement of Cash Receipts and Disbursements of the Town of New Houlka, Mississippi, as required by Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the status of all prior year audit findings must be reported and are as follows:

Financial Statement Findings:

2020-001 Material Weakness

Condition: The Town does not have adequate segregation of duties for internal control purposes.

Criteria: 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 one transaction.

Cause: The Town has not separated the functional responsibilities of financial transactions or adequately applied internal control procedures due, in part, to a limited number of employees.

Effect: The lack of segregation of duties could result in misstatements, whether caused by fraud or error, which would not be prevented or detected in a timely manner.

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

Status of Finding: The audit finding is applicable to the fiscal year ended September 30, 2021.

Federal Award Findings:

None

Town of New Houlka, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 1: Summary of Auditors' Results

Financial Statement

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

Federal Awards

- | | | | | | | |
|--------------------------|--|--------------------------|---|--------|---|--|
| 4. | Internal control over major programs: | | | | | |
| a. | Material weakness(es) identified? (Yes/No) | No | | | | |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported | | | | |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 200.511 of the Uniform Guidance? (Yes/No) | No | | | | |
| 7. | Identification of major programs: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>Assistance Number</u></td> <td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>66.458</td> <td>Capitalization Grants for Clean Water State Revolving Funds</td> </tr> </table> | <u>Assistance Number</u> | <u>Name of Federal Program or Cluster</u> | 66.458 | Capitalization Grants for Clean Water State Revolving Funds | |
| <u>Assistance Number</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | No | | | | |

Section 2: Financial Statement Findings

2021-001 Material Weakness

Condition: The Town does not have adequate segregation of duties for internal control purposes.

Criteria: 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 one transaction.

Cause: The Town has not separated the functional responsibilities of financial transactions or adequately applied internal control procedures due, in part, to a limited number of employees.

Effect: The lack of segregation of duties could result in misstatements, whether caused by fraud or error, which would not be prevented or detected in a timely manner.

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

Section 3: Federal Award Findings

None

Town of New Houlka

PO Box 416, 201 Walker St, NEW HOULKA 38850 Phone 662-568-2745

Mayor's Office
State of Mississippi
County of Chickasaw

MAYOR – David Huffman
BOARD – Kimberly Murphree, Brad Vance
Dustin Eaton, K C Gates Jerry Turner
CITY CLERK – Janie Tutor

December 27, 2023

CORRECTIVE ACTION PLAN

Finding 2021-001

Material Weakness

The Town does not have adequate segregation of duties for internal control purposes.

Response of Management

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

Responsible Person: Mayor and Board of Alderman

Anticipated Completion Date: As of the date of this letter, all steps have been completed that are economically feasible for the Town to complete.



David Huffman, Mayor