

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.

CITY OF CALHOUN CITY, MISSISSIPPI

**AUDITED FINANCIAL STATEMENT
SEPTEMBER 30, 2022**

CITY OF CALHOUN CITY, MISSISSIPPI
Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statement:	4
Fund Financial Statement:	
Statement of Cash Receipts and Disbursements	5
Notes to Financial Statement	6
Other Information:	11
Schedule of Investments – All Funds	12
Schedule of Long-Term Debt	13
Schedule of Surety Bonds for Municipal Officials	14
Special Reports:	15
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 <i>Government Auditing Standards</i>	16
Independent Auditors' Report on Compliance with State Laws and Regulations	18
Status of Prior Year Findings	19
Schedule of Findings and Responses	20



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA
Bradley L. Harrison, CPA
Justin H. Keller, CPA
Dana R. Estes, CPA
April W. Posey, CPA

Independent Auditors' Report

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

Opinions

We have audited the accompanying Statement of Cash Receipts and Disbursements of the City of Calhoun City, Mississippi, for the year ended September 30, 2022, and the related notes to financial statement, as listed in the contents.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the governmental funds, the proprietary fund, and the respective changes in cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City of Calhoun City, Mississippi, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1, and for 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 financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Calhoun City, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Calhoun City, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Investments – All Funds, Schedule of Long-Term Debt, and Schedule of Surety Bonds for Municipal Officials but does not include the basic financial statement and our auditors' report thereon. Our opinions on the basic financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Omission of Other Information

The City of Calhoun City, Mississippi has omitted the Schedule of Capital Assets that the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor, requires 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 other 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 September 3, 2024 on our consideration of the City of Calhoun City, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Calhoun City, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Calhoun City, Mississippi's internal control over financial reporting and compliance.

Houston, Mississippi
September 3, 2024

Watkins Ward and Stafford, P.C.

BASIC FINANCIAL STATEMENT

City of Calhoun City
Statement of Cash Receipts and Disbursements
September 30, 2022

	GOVERNMENTAL FUNDS					PROPRIETARY FUND
	General Fund	ARPA Fund	Infrastructure Fund	Other Nonmajor Funds	Total	Water Fund
RECEIPTS						
Property taxes	\$ 376,037	-	-	-	376,037	\$ -
Penalties and interest	3,768	-	-	-	3,768	-
Licenses and permits	52,794	-	-	-	52,794	-
Intergovernmental revenues	298,571	205,035	91,372	-	594,978	-
Charges for Governmental Services						
Sanitation	122,691	-	-	-	122,691	-
Water and sewer	-	-	-	-	-	518,910
Fines and forfeitures	37,802	-	-	-	37,802	-
Interest Income	3,423	-	30	-	3,453	336
Grants	29,505	-	-	-	29,505	44,300
Miscellaneous revenues	98,709	37	400,000	-	498,746	4,836
Total Receipts	<u>1,023,300</u>	<u>205,072</u>	<u>491,402</u>	<u>-</u>	<u>1,719,774</u>	<u>568,382</u>
DISBURSEMENTS						
General government	224,777	-	-	50	224,827	-
Public safety	545,551	-	-	72	545,623	-
Public works	244,858	-	-	4,741	249,599	-
Culture and recreation	81,856	-	-	-	81,856	-
Economic development	397,130	-	176,840	-	573,970	-
Sanitation	151,797	-	-	-	151,797	-
Enterprises:						
Water and sewer	-	-	-	-	-	497,511
Interest on debt service	3,273	-	-	10,078	13,351	1,775
Total Disbursements	<u>1,649,242</u>	<u>-</u>	<u>176,840</u>	<u>14,941</u>	<u>1,841,023</u>	<u>499,286</u>
Excess (Deficiency) of receipts over (under) disbursements	<u>(625,942)</u>	<u>205,072</u>	<u>314,562</u>	<u>(14,941)</u>	<u>(121,249)</u>	<u>69,096</u>
OTHER FINANCING SOURCES (USES)						
Debt repaid	(8,586)	-	-	(17,930)	(26,516)	(7,239)
Interfund loans and transfers	(6,861)	-	100	34,769	28,008	(28,008)
Loan proceeds	330,242	-	-	-	330,242	-
Total other financing sources (uses)	<u>314,795</u>	<u>-</u>	<u>100</u>	<u>16,839</u>	<u>331,734</u>	<u>(35,247)</u>
Excess (Deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(311,147)</u>	<u>205,072</u>	<u>314,662</u>	<u>1,898</u>	<u>210,485</u>	<u>33,849</u>
CASH BASIS FUND BALANCE						
Beginning of Year	<u>1,809,256</u>	<u>205,035</u>	<u>88,417</u>	<u>2,383</u>	<u>2,105,091</u>	<u>1,157,373</u>
CASH BASIS FUND BALANCE						
End of Year	<u>\$ 1,498,109</u>	<u>410,107</u>	<u>403,079</u>	<u>4,281</u>	<u>2,315,576</u>	<u>\$ 1,191,222</u>

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

CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statement

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

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

b. Fund Accounting

The accounts of the City of Calhoun City, 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 City 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.

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

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

c. Basis of Accounting

The financial statement is prepared on a cash basis, in compliance with the requirements of 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.

CITY OF CALHOUN CITY, 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 City of Calhoun City, 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 City of Calhoun City, 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. The City of Calhoun City, 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.

CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statement

Note 2: Cash and Other Deposits

At the end of the year, the City of Calhoun City, Mississippi's carrying amount of deposits was \$3,506,798, and the bank balance was \$3,541,620. 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 City of Calhoun City, 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.

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the City of Calhoun City, Mississippi will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City of Calhoun City, Mississippi does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City of Calhoun City, Mississippi. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City of Calhoun City, Mississippi. As of September 30, 2022, none of the City of Calhoun City, Mississippi's bank balance of \$3,541,620 was exposed to custodial risk.

Note 3: Interfund Transfers

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Infrastructure Funds</u>	<u>Other Nonmajor Funds</u>	<u>Water Fund</u>
Transfers In	\$ -	100	34,769	-
Transfers Out	(6,861)	-	-	(28,008)
	<u>\$ (6,861)</u>	<u>100</u>	<u>34,769</u>	<u>(28,008)</u>

The above interfund transfers were a transfer from the Water Fund to the W&S Revenue Bond Fund, a debt service fund, and a transfer from the General fund to capital projects funds, a infrastructure fund, to open bank accounts.

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.

CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statement

Note 5: Property Taxes

The City of Calhoun City, 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 City of Calhoun City, Mississippi for the fiscal year ended September 30, 2022 was 33.5 mills for general purposes.

Note 6: Risk Management

The City of Calhoun City, 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 City of Calhoun City, 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 City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City of Calhoun City, 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 City of Calhoun City, Mississippi has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2022; therefore, no liability has been accrued at this time.

Note 7: Commitments and Contingencies

Since the onset of the COVID-19 pandemic in March 2020, the City has maintained relative operating normalcy. To date, national COVID-19 related regulation has not adversely impacted operations. Additionally, the City has had no ongoing projects that have been impacted by the pandemic. As of the date of the audit report, management declines to speculate on when a return to pre-COVID-19 operations will occur, but does not anticipate a material impact on normal operations for the City.

CITY OF CALHOUN CITY, MISSISSIPPI
Notes to Financial Statement

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 City of Calhoun City, Mississippi evaluated the activity of the City through September 3, 2024 the date the financial statement was approved by the City of Calhoun City, Mississippi's management and thereby available to be released, and determined that there were no subsequent events that should be noted in the financial statement.

OTHER INFORMATION

CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Investments – All Funds
September 30, 2022

	<u>Deposit Amount</u>
Certificate of Deposit with Renasant Bank, maturing 06/25/22, rate 0.15%	\$ 1,164,063
Certificate of Deposit with Renasant Bank, maturing 08/14/22, rate 0.10%	68,632
Certificate of Deposit with Rensanat Bank, maturing 10/23/21, rate 1.63%	<u>305,483</u>
Total	<u>\$ 1,538,178</u>

Fund Recap:

General Fund	\$ 969,195
Water and Sewer Fund	<u>568,983</u>
Total	<u>\$ 1,538,178</u>

CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2022

	Balance Outstanding <u>09/30/2021</u>	<u>Issued</u>	<u>Redeemed</u>	Balance Outstanding <u>09/30/2022</u>
Revenue Bond:				
1996 W&S Revenue Bond	\$ 226,992	-	(17,930)	\$ 209,062
Note Payable:				
Water Pollution Control Revolving Loan	\$ 111,859	-	(7,239)	\$ 104,620
Three Rivers Loan - Medlift Building	\$ -	330,242	(8,586)	\$ 321,656

CITY OF CALHOUN CITY, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2022

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Marshall Coleman	Mayor	Western Surety	\$ 50,000
Fitzgerald Harper	Alderman	Western Surety	\$ 50,000
Tony Herrod	Alderman	Western Surety	\$ 50,000
Larry Bratton	Alderman	Western Surety	\$ 50,000
Kevin Flemons	Alderman	Western Surety	\$ 50,000
Stephanie Lucius	Alderman	Western Surety	\$ 50,000
Ezra Conner	Chief of Police	Western Surety	\$ 50,000
Jenny Hill	City Clerk	Western Surety	\$ 50,000
Deborah Bailey	Deputy Clerk	Western Surety	\$ 50,000
Deane Tilley	Police Officer	Western Surety	\$ 50,000
Mark Whitaker	Police Officer	Western Surety	\$ 25,000

SPECIAL REPORTS



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA
Bradley L. Harrison, CPA
Justin H. Keller, CPA
Dana R. Estes, CPA
April W. Posey, CPA

**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
City of Calhoun City
Calhoun City, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements of the City of Calhoun City, Mississippi as of and for the year ended September 30, 2022 and the related notes to financial statement and have issued our report thereon dated September 3, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Calhoun City, 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 responses as item 2022-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Calhoun City, 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*.

The City of Calhoun City, Mississippi's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Calhoun City, Mississippi's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Calhoun City, Mississippi's response was not subjected to the other auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on the response.

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 City of Calhoun City, 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 City of Calhoun City, Mississippi's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Mississippi
September 3, 2024

Watkins Ward and Stafford, P.C.



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

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

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

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

We have audited the Statement of Cash Receipts and Disbursements and other information of the City of Calhoun City, Mississippi, as of and for the year ended September 30, 2022, and have issued our report thereon dated September 3, 2024. 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 Statement of Cash Receipts and Disbursements and supplemental information disclosed one instance of noncompliance with state laws and regulations. The City has omitted the Schedule of Capital Assets required by the Office of the State Auditor, and the information to compile this schedule is not readily available.

This report is intended for the information of the City of Calhoun City, 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.

Houston, Mississippi
September 3, 2024

Watkins Ward and Stafford, P.C.

City of Calhoun City, Mississippi
Status of Prior Year Findings
For the Year Ended September 30, 2022

Prior year findings:

2021-01 The city does not have adequate segregation of duties for internal control purposes.

As of September 30, 2022, the finding had not been corrected. The City had the same finding in the current year.

City of Calhoun City, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2022

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 |

Section 2: Financial Statement Findings

2022-01 Material Weakness

Condition: The City 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 City 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, that would not be prevented or detected in a timely manner.

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