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# TOWN OF CALEDONIA

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MONDAY - FRIDAY

November 1, 2016

Office of the State Auditor  
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Jackson, Mississippi 39205

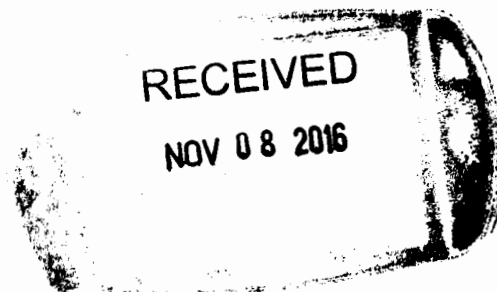
Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the Town of Caledonia, Mississippi, for the fiscal year ended September 30, 2012. A separate management letter was not written to the town in connection with this audit.

Sincerely,

*Bill Lawrence*  
Bill Lawrence

Mayor

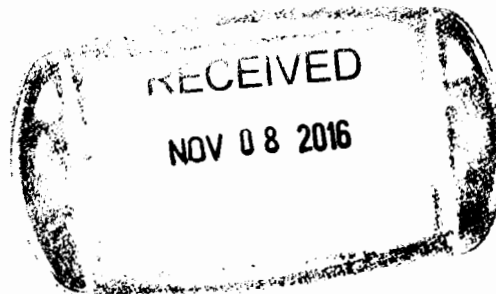




FINANCIAL STATEMENTS

Town of Caledonia, Mississippi

For the year ended  
September 30, 2012



R. Dale Pierce  
Certified Public Accountant



**TOWN OF CALEDONIA, MISSISSIPPI  
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September 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen  
Town of Caledonia, Mississippi  
Caledonia, Mississippi

I have audited the accompanying Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi, for the year ended September 30, 2012. This financial statement is the responsibility of the Town of Caledonia, Mississippi's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my 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*, as issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts and Disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note A, the Town of Caledonia, Mississippi has prepared their financial statements using accounting practices prescribed or permitted by the Mississippi Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Caledonia, Mississippi as of September 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Caledonia, Mississippi has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are not required to be part of, the basic financial statements.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of each fund of the Town of Caledonia, Mississippi, as of September 30, 2012, and their respective cash receipts and disbursements, for the year ended, on the basis of accounting described in Note A.





My audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi taken as a whole. Supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and, in my opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements taken as a whole.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated October 7, 2016, on my consideration of the Town of Caledonia, Mississippi's internal control over financial reporting and on my 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 my 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 *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

This report is intended for the information of the Town of Caledonia, Mississippi's management, Mayor, Board of Aldermen, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities 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.



R. DALE PIERCE, CPA  
October 7, 2016



BASIC FINANCIAL STATEMENTS





**TOWN OF CALEDONIA, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**GOVERNMENTAL AND BUSINESS TYPE ACTIVITIES**  
For the year ended September 30, 2012

	Governmental Activities		Business Type	Totals
			Activities	
	General Fund	Special Revenue Fund	Water and Sewer Fund	
<b>REVENUE RECEIPTS:</b>				
Taxes				
General Property Taxes	\$ 77,062	\$ -	\$ -	\$ 77,062
Auto Ad Valorem Tax	5,810	-	-	5,810
Licenses and Permits				
Franchise Tax on Utilities	22,222	-	-	22,222
Privilege Tax Revenue	957	-	-	957
Intergovernmental Revenues:				
State Shared Revenues:				
General Municipal Aid	521	-	-	521
Sales Tax	135,048	-	-	135,048
Gasoline Tax	2,774	-	-	2,774
TVA In Lieu of Tax	13,582	-	-	13,582
Homestead Exemption Reimbursement	3,184	-	-	3,184
Fire Protection	5,425	-	-	5,425
Other State Revenues	900	-	-	900
Federal Grants	-	-	92,000	92,000
Charges for Services:				
Water & Sewer System			747,211	747,211
Park & Recreation	61,315	-	-	61,315
Fines and Forfeits:				
Police Fines	28,514	-	-	28,514
Miscellaneous Receipts:				
Interest Income	1,364	-	5,131	6,495
Rents	24,956	-	-	24,956
Local Funds	20,223	-	-	20,223
Reimbursements	70	-	-	70
Other Income	13,225	1,015	12,397	26,637
<b>Total Receipts</b>	<b>\$ 417,152</b>	<b>\$ 1,015</b>	<b>\$ 856,739</b>	<b>\$ 1,274,906</b>

See accompanying notes to the financial statements.



**TOWN OF CALEDONIA, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**GOVERNMENTAL AND BUSINESS TYPE ACTIVITIES**  
For the year ended September 30, 2012

	Governmental Activities		Business Type	Totals Government-wide
	General	Special	Activities	
	Fund	Revenue Fund	Water and Sewer Fund	
<b>DISBURSEMENTS:</b>				
General Government	\$ 258,361	\$ 1,197	\$ -	\$ 259,558
Public Safety: Police & Fire	32,982	-	-	32,982
Public Works	456	-	-	456
Park and Recreation	74,859	-	-	74,859
Enterprise: Water & Sewer System	-	-	468,259	468,259
Interest	-	-	181,156	181,156
<b>TOTAL DISBURSEMENTS</b>	<u>366,658</u>	<u>1,197</u>	<u>649,415</u>	<u>1,017,270</u>
Excess (Deficiency) of receipts over disbursements	<u>50,494</u>	<u>(182)</u>	<u>207,324</u>	<u>257,636</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt Repaid	-	-	(1,713,865)	(1,713,865)
Capital Outlay/Grant Expenses	(28,422)	-	(148,051)	(176,473)
Loan Proceeds	-	-	1,590,000	1,590,000
Water Deposits	-	-	9,695	9,695
Deferred Amount on Refunding	-	-	(67,100)	(67,100)
Bond Issuance Costs	-	-	(52,900)	(52,900)
Transfers	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(28,422)</u>	<u>-</u>	<u>(382,221)</u>	<u>(410,643)</u>
Excess (Deficiency) of receipts & other financing sources over disbursements & other financing uses	<u>22,072</u>	<u>(182)</u>	<u>(174,897)</u>	<u>(153,007)</u>
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<u>215,264</u>	<u>5,495</u>	<u>838,145</u>	<u>1,058,904</u>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<u>\$ 237,336</u>	<u>\$ 5,313</u>	<u>\$ 663,248</u>	<u>\$ 905,897</u>

See accompanying notes to the financial statements.





**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information**

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

**Basis of Accounting**

The Town of Caledonia prepares its financial statements on the cash receipts and disbursements basis of accounting as permitted by the Mississippi Office of the State Auditor. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are recognized when the funds are disbursed rather than when the liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Under this basis of accounting, the Town has elected to omit substantially all government-wide financial statements, fund financial statements, management discussion and analysis, required supplemental information, and other supplemental information required under generally accepted accounting principles.

**Government-Wide Financial Statements**

The statement of cash receipts and disbursements displays information on all non-fiduciary activities of the primary government. The statement distinguishes between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of cash receipts and disbursements presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

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**TOWN OF CALEDONIA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Statement Presentation**

The Town reports the following governmental funds:

*General Fund* – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental fund.

The Town reports the following major proprietary funds:

*Water and Sewer Fund* – Proprietary funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination or revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water and charges for sewer treatment. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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**TOWN OF CALEDONIA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Included within the reporting entity:

*Town of Caledonia water and sewer system.* The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water and sewer debt remains with the government.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Revenue & Expense Recognition

Revenues for all fund types are recognized when received, expenditures are recorded when paid.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received.

Interfund Transactions

Interfund transactions have not been eliminated from these financial statements.

**NOTE B – CASH AND INVESTMENTS**

Cash and Investments

Deposits- 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 entity's deposits are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The carrying amount of the Town's deposits with financial institutions was \$905,897.





**TOWN OF CALEDONIA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE B – CASH AND INVESTMENTS (continued)**

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this State, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The Town's investments as of September 30, 2012 are:

Investments:

Certificate of Deposit - Park	\$ 151,395
Certificates of Deposit - Water & Sewer	<u>316,908</u>
Total Investments	<u>\$ 468,303</u>

**NOTE C – PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. The Town contracts with the County Tax Collector to bill and collect all property taxes including motor vehicle taxes. The County Tax Collector collects and remits all collected taxes to the Town.

**NOTE D – LONG-TERM DEBT**

The Town of Caledonia Water and Sewer Division Revenue Bonds Series 2004 were issued March 1, 2004, for \$2,415,000. The interest rate for the issue varies depending on the maturity date. The interest rate as of September 30, 2012 and 2011 was 4.75%. A schedule of payment requirements is shown below, assuming the bonds will not be called due to noncompliance with various covenants. The bonds are secured by a lien on the net revenues of the Town of Caledonia Water and Sewer Division. This bond was partially refunded during the 2012 fiscal year.

The Town of Caledonia Water and Sewer Division authorized \$3,285,745 of drinking water loan state revolving funds on April 15, 2011. The interest rate as of September 30, 2012 and 2011 was 1.95% for this loan. Monthly payments of \$16,716 are due, beginning May 15, 2011 and maturing on January 15, 2031.



**TOWN OF CALEDONIA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

**NOTE D – LONG-TERM DEBT (continued)**

Advance Refunding

On May 3, 2012, the Town issued \$1,590,000 of Water and Sewer Revenue Refunding Bonds, Series 2012, with interest rates from 1.00% to 3.00%. The bonds consist of term bonds bearing a fixed rate of interest of 1.00% and serial bonds with interest rates from 2.00% to 3.00% with semi-annual maturities from March 2013 through April 2024.

The net proceeds of \$1,590,000 (after issuance costs of \$52,900) were used to advance refund \$1,470,000 of the outstanding Water and Sewer Revenue Bonds, Series 2004, with interest rates from 4.25% to 5.00%.

The net proceeds were used to partially redeem the Series 2004 Bonds in the current fiscal year. As a result the related redeemed liability associated with these bonds has been removed from the Town's liabilities.

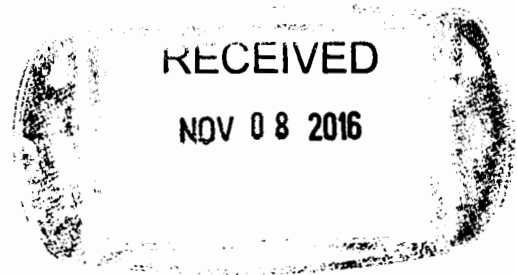
The advance refunding reduced total debt payments over the next twelve years by \$299,533. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$75,363.

The annual requirements to amortize all debt outstanding as of September 30, 2012 (including interest payments of \$866,968) are as follows:

	<u>Water &amp; Sewer Bonds/Notes Principal</u>	<u>Water &amp; Sewer Bonds/Notes Interest</u>	<u>Total</u>
2013	\$ 281,597	\$ 101,096	\$ 382,693
2014	279,383	93,279	372,662
2015	287,224	87,194	374,418
2016	295,121	82,147	377,268
2017	298,074	76,294	374,368
2018-2022	1,586,751	287,144	1,873,895
2023-2027	1,229,813	118,041	1,347,854
2028-2032	<u>646,850</u>	<u>21,773</u>	<u>668,623</u>
Totals	<u>\$ 4,904,813</u>	<u>\$ 866,968</u>	<u>\$ 5,771,781</u>

**NOTE E – LITIGATION**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.



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**TOWN OF CALEDONIA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012**

**NOTE F – DEFINED BENEFIT PENSION PLAN**

Plan Description - The Town of Caledonia contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, 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 9.00% of their annual covered salary and the Town of Caledonia is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Caledonia's contributions to PERS for the years ending September 30, 2012, 2011 and 2010 were \$32,513, \$30,765 and \$29,590, equal to the required contributions for each year.

**NOTE G – RISK MANAGEMENT**

The Town of Caledonia is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the Town retains the risk of loss.

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

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2012, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.



**TOWN OF CALEDONIA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012**

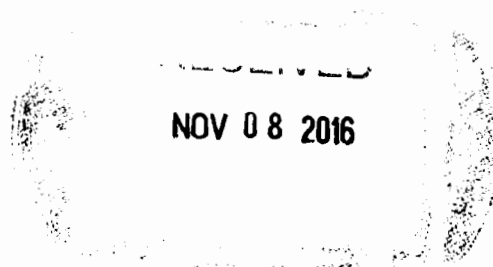
**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 7, 2016, the date on which the financial statements were available to be issued.





OTHER SUPPLEMENTAL INFORMATION





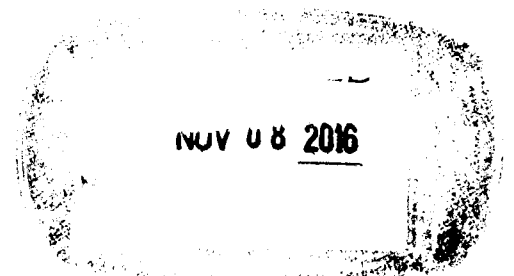
**TOWN OF CALEDONIA, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
For the year ended September 30, 2012

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING October 1, 2011</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR</u>		<u>BALANCE OUTSTANDING September 30, 2012</u>
		<u>BORROWED</u>	<u>REDEEMED</u>	
Long Term Debt:				
Water and Sewer Revenue Bond	\$ 1,800,000	\$ -	\$ 1,575,000	\$ 225,000
Water and Sewer Refunding Bond 2012	-	1,590,000	-	1,590,000
Note Payable MS State Dept of Health	<u>3,228,678</u>	-	<u>138,865</u>	<u>3,089,813</u>
<b>TOTAL</b>	<u>\$ 5,028,678</u>	<u>\$ 1,590,000</u>	<u>\$ 1,713,865</u>	<u>\$ 4,904,813</u>



**TOWN OF CALEDONIA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS**  
September 30, 2012

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
George Gerhart	Mayor	Clyde C. Scott Insurance	\$50,000
Judith Whitcomb	City Clerk	Clyde C. Scott Insurance	\$50,000
Jennifer Weeks	Concession Stand Manager	Clyde C. Scott Insurance	\$25,000
William Darnell	Alderman	Clyde C. Scott Insurance	\$50,000
Stephen Honnoll	Alderman	Clyde C. Scott Insurance	\$50,000
Michael Savage	Alderman	Clyde C. Scott Insurance	\$50,000
John Parham	Alderman	Clyde C. Scott Insurance	\$50,000
Brenda Willis	Alderman	Clyde C. Scott Insurance	\$50,000
Catherine H. Brown	Office Manager	Old Republic Surety Company	\$50,000
Benny Coleman	Water Superintendent	Old Republic Surety Company	\$50,000





OTHER REPORTS





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**INDEPENDENT AUDITOR'S 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**

To the Mayor and Board of Aldermen  
Town of Caledonia, Mississippi  
Caledonia, Mississippi

I have audited the Statement of Cash Receipts and Disbursements of the Town of Caledonia, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the Town of Caledonia, Mississippi's basic financial statement and have issued my report thereon dated October 7, 2016. I conducted my 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.

Internal Control Over Financial Reporting

Management of the Town of Caledonia, Mississippi, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Caledonia, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town of Caledonia, Mississippi's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Caledonia, Mississippi's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See findings 1, 2 and 7.

A significant deficiency is a deficiency, or 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. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. See findings 4 and 6.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Caledonia, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as findings 1, 3, 4, 5, 6, 7 and 8.

The Town of Caledonia, Mississippi's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Town of Caledonia, Mississippi's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the Town of Caledonia, Mississippi's management, Mayor, Board of Aldermen, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities 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.



R. DALE PIERCE, CPA  
October 7, 2016



**TOWN OF CALEDONIA  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2012**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 1 (Material Weakness and Noncompliance)**

**Criteria:** The Town is to ensure compliance with various covenants and requirements as stipulated in the bond agreement related to the Town's outstanding bond issue.

**Cause of Condition:** The internal control is not sufficient to monitor compliance with covenants stipulated in the bond agreement. An Operation and Maintenance Fund has not been established. The remaining balance in the Refunding Fund has not been transferred at year end, and accounts with past due balances have not had service discontinued.

**Recommendation:** The Town should closely monitor the covenants included in the bond agreement and abide by them closely.

**Response:** The Town will review the covenants stipulated in the bond agreement and will take steps necessary to ensure future compliance with the covenants.

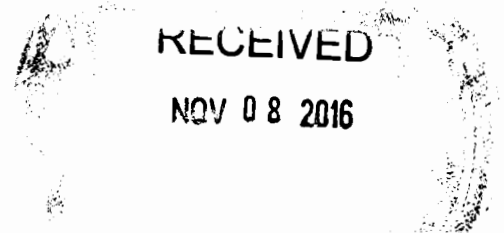
**FINDING NO. 2 (Material Weakness)**

**Criteria:** A valuable element of the internal control structure is proper segregation of duties of accounting personnel.

**Cause of Condition:** The Town of Caledonia's internal control structure does not provide for adequate segregation of duties due to the Town's small size and small number of employees.

**Recommendation:** The Town's mayor and board should continue to be actively involved in a supervisory position in the Town's operations.

**Response:** The Town will attempt to maximize segregation of duties whenever possible. The Mayor and Board will remain actively involved in a supervisory position over the Town's operations.





**TOWN OF CALEDONIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2012**

**FINDING NO. 3 (Noncompliance)**

**Criteria:** The Town is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the Town maintains public funds.

**Cause of Condition:** The Town did not ensure that all bank accounts were covered under the State Collateral Pool for the year ended September 30, 2012. Two bank accounts of the Town were not reflected on the quarterly statements from the State Treasurer. Therefore, the Town was not adequately covered by pledged securities under the State Collateral Pool. The Town did not have a policy in place to reconcile the quarterly reports to the financial records of the Town.

**Recommendation:** The Town should implement adequate internal controls to make certain that all relevant reports regarding the State Collateral Pool are maintained and should reconcile the quarterly reports with the financial records of the Town.

**Response:** The Town will make sure that it has all current State Collateral Pool reports from the State Treasurer so as to ensure that all Town deposits are properly collateralized. The Town will file an annual report with the State Treasurer.

**FINDING NO. 4 (Significant Deficiency and Noncompliance)**

**Criteria:** The Town is required by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuations of its fixed assets.

**Cause of Condition:** The Town did not conduct inventory observations of fixed assets needed to maintain accountability of assets and prepare a complete listing of assets. The Town's listing is not complete.

**Recommendation:** The Town should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. The Town should also prepare a complete fixed asset listing; substantiating the valuation, location, description and inventory tag numbers of its fixed assets. The Town should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

**Response:** The Town will conduct year-end inventory observations of their fixed assets. Also, the Town will continue to develop a complete listing of all fixed assets to comply with State statutes.





**TOWN OF CALEDONIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2012**

**FINDING NO. 5 (Noncompliance)**

**Criteria:** The Town is required by State statutes, to collect state-imposed court assessments and settle monthly with the Mississippi Department of Finance and Administration.

**Cause of Condition:** The Town did not settle the state-imposed court assessments monthly with the Mississippi Department of Finance and Administration. The Town only settled four times during the fiscal year with the Mississippi Department of Finance and Administration.

**Recommendation:** The Town should ensure that the municipal court clerk settles the assessments daily with the municipal clerk and the assessments are submitted the following month to the Mississippi Department of Finance and Administration.

**Response:** The Town will ensure that the court clerk settles daily and that the state-imposed court assessments received are submitted the following month to the Mississippi Department of Finance and Administration.

**FINDING NO. 6 (Significant Deficiency and Noncompliance)**

**Criteria:** The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi code Ann. (1972) requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meetings each month for monitoring budget status.

**Cause of Condition:** Expenditures were made in excess of budgeted amounts in some categories and a budget was not adopted for one fund. The Town uses a budget format with more detail than required by state statutes.

**Recommendation:** The Town should ensure that expenditures are only made when sufficient resources are budgeted and that budget amendments are made when additional resource allocations are needed. Also, the Town should ensure that budgets are adopted for all funds which require a budget. The Town should consider using a more condensed budget format that meets the minimum requirements of the State Auditor's Office.

**Response:** The Town will review its budgeting process and modify as necessary to ensure all funds are budgeted and that budgets are amended as required by state statutes. A separate budget will be prepared for all funds requiring budgets in the future.



**TOWN OF CALEDONIA  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2012**

**FINDING NO. 7 (Material Weakness and Noncompliance)**

**Criteria:** The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

**Cause of Condition:** The Town did not obtain competitive quotes for three purchases during the fiscal year, as required by state statutes.

**Recommendation:** The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

**Response:** Purchase laws are now being complied with by all department heads and we have established procedures which will ensure compliance with purchase laws.

**FINDING NO. 8 (Noncompliance)**

**Criteria:** The Town is required, by state statutes, to obtain a \$50,000 minimum bond for all employees handling or having custody of public funds.

**Cause of Condition:** The Town obtained a \$25,000 bond for one Town employee who had custody of public funds.

**Recommendation:** The Town should review the minimum bond requirements for Town employees set forth by state statutes and ensure that the minimum bond requirements are met.

**Response:** The Town will review the minimum bond requirements for Town employees set forth by state statutes and will obtain bonds for all Town employees that meet these requirements.





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

To the Mayor and Board of Aldermen  
Town of Caledonia, Mississippi  
Caledonia, Mississippi

I have audited the basic financial statements of the Town of Caledonia, Mississippi as of and for the year ended September 30, 2012, and have issued my report thereon dated October 7, 2016. I conducted my 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.

As required by the State legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed the following instances of noncompliance with state laws and regulations. My findings and recommendations and your responses are included in the Schedule of Findings and Responses as findings no. 1, 3, 4, 5, 6, 7 and 8.

This report is intended for the information of the Town of Caledonia, Mississippi's management, Mayor, Board of Aldermen, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities 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.



R. DALE PIERCE, CPA  
October 7, 2016

