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TOWN OF SOSO, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**TOWN OF SOSO, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the
Board of Aldermen, and Town Clerk
Town of Soso, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Soso, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the following section, 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 statements are free from material misstatement.

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

Basis for Adverse Opinion on the Governmental Activities

As discussed in Note 3 to the financial statements, management has not recorded all assets in governmental activities. Accounting principles generally accepted in the United States of America require that assets be capitalized, which would increase the assets and net position of the governmental activities. The amount by which this departure would affect the assets and net position of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Governmental Activities" paragraph, the financial statements referred to above do not present fairly, the financial position of the governmental activities of Town of Soso, Mississippi, as of September 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Soso, Mississippi, as of September 30, 2014, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information

Town of Soso, Mississippi, has omitted the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the corresponding notes, and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Soso, Mississippi's basic financial statements. The Schedule of Surety Bonds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015, on our consideration of the Town of Soso, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Soso, Mississippi's internal control over financial reporting and compliance.


Herzog CPA Company, PLLC
September 9, 2015

FINANCIAL STATEMENTS

Town of Soso, Mississippi
Statement of Net Position
September 30, 2014

EXHIBIT 1

Assets	Primary Government	
	Governmental Activities	Total
Cash and cash equivalents	\$ 32,385	\$ 32,385
Certificates of Deposit	101,436	101,436
Receivables (net of uncollectibles):		
Fines	5,636	5,636
Prepaid Expenses	2,860	2,860
Capital Assets:		
Land	68,600	68,600
Buildings	91,716	91,716
Furniture and Equipment	118,223	118,223
Mobile Equipment	25,744	25,744
Infrastructure	587,311	587,311
Less: Accumulated Depreciation	(285,396)	(285,396)
Net Capital Assets	606,198	606,198
Total Assets	\$ 748,515	\$ 748,515
Liabilities and Net Position		
Other Accrued Liabilities	\$ 11,878	\$ 11,878
Total Liabilities	11,878	11,878
Net Position		
Net Investment in Capital Assets	606,198	606,198
Unrestricted	130,439	130,439
Total Net Position	736,637	736,637
Total Liabilities and Net Position	\$ 748,515	\$ 748,515

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

Town of Soso, Mississippi
Statement of Activities
For the Year Ended September 30, 2014

EXHIBIT 2

Function/Programs:	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants	Capital Grants	
Governmental Activities:					
General Government	\$ (122,747)	\$ -	\$ -	\$ -	\$ (122,747)
Public Safety	(81,018)	-	-	-	(81,018)
Total Governmental Activities	\$ (203,765)	\$ -	\$ -	\$ -	\$ (203,765)
General Revenues:					
Franchise Tax				\$ 17,123	\$ 17,123
Sales Tax				147,446	147,446
Licenses and Permits				735	735
Intergovernmental, Not Restricted to Specific Functions/Programs				3,042	3,042
Fines and Forfeitures				2,864	2,864
Other Revenue				5,172	5,172
Total General Revenues and Transfers				176,382	176,382
Change in Net Position				(27,383)	(27,383)
Net Position, Beginning of Year				764,020	764,020
Net Position, End of Year				\$ 736,637	\$ 736,637

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

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Town of Soso, Mississippi
Balance Sheet
Governmental Funds
September 30, 2014

EXHIBIT 3

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 32,385	\$ 32,385
Certificates of Deposit	101,436	101,436
Fines Receivable - Net	5,636	5,636
Prepaid Expenses	2,860	2,860
Total Assets	\$ 142,317	\$ 142,317
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Other Accrued Liabilities	\$ 11,878	\$ 11,878
Unearned Revenue	5,636	5,636
Total Liabilities	17,514	17,514
 FUND BALANCES:		
Unassigned	124,803	124,803
Total Fund Balances (Deficits)	124,803	124,803
Total Liabilities and Fund Balances	\$ 142,317	\$ 142,317

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

Town of Soso, Mississippi
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
September 30, 2014

EXHIBIT 3.1

Fund Balances - Total Governmental Funds	\$ 124,803
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital, Net	606,198
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Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>5,636</u>
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Net Position of Governmental Activities	<u>\$ 736,637</u>
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The notes to the financial statements are an integral part of this statement.

Town of Soso, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

EXHIBIT 4

	General Fund	Total Governmental Funds
REVENUES		
Licenses and Permits	\$ 735	\$ 735
Franchise Taxes	17,123	17,123
Intergovernmental	150,488	150,488
Fines and Forfeitures	2,864	2,864
Miscellaneous	5,172	5,172
Total Revenues	176,382	176,382
EXPENDITURES		
Current:		
General Government	100,613	100,613
Public Safety	75,817	75,817
Total Expenditures	176,430	176,430
Net Change in Fund Balances	(48)	(48)
OTHER FINANCING SOURCES AND (USES)		
Fund Balances - Beginning	124,851	124,851
Fund Balances - Ending	\$ 124,803	\$ 124,803

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

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Town of Soso, Mississippi
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2014

EXHIBIT 4.1

Net Change in Fund Balances - Total Governmental Funds	\$	(48)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Depreciation Expense		(27,283)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.

(52)

Change in Net Position of Governmental Activities	<u>\$</u>	<u>(27,383)</u>
--	-----------	-----------------

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

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a Mayor/Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, culture and recreation, public improvement, and general administrative services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to local governmental units, (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Town's accounting policies are described below.

A. Government-wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing, fines and forfeitures, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

C. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is a summary of the Town's funds by fund type:

GOVERNMENTAL FUNDS: Governmental Funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

- The *General Fund* is the primary operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PROPRIETARY FUNDS: The Town does not have any proprietary funds for the fiscal year ended September 30, 2014.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Capital Assets

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost.

Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002 has not been recorded.

Depreciation has been provided for governmental activities using the straight-line method over the following estimated useful lives:

Building, Improvements, & Infrastructure	30-40 Years
Machinery & Equipment	5 Years

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Allowances for Doubtful Accounts

The Town uses the reserve method for writing off uncollectible accounts. This is done at the end of each year after reviewing accounts. The fines receivable allowance for doubtful accounts was \$107,084 at September 30, 2014.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Compensated Absences

The Town does not have a policy to permit employees to accumulate unused vacation leave.

J. Equity Classifications

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation. There was no restricted net position at September 30, 2014.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. There was no restricted fund balance at September 30, 2014.

Assigned fund balance includes amounts that are constrained by the Town’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balances are created by the Board of supervisors pursuant to authorization established by the policy adopted by the Town. There was no assigned fund balance at September 30, 2014.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

K. Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2014.

L. Mississippi Municipal Compliance Questionnaire

The Mississippi Municipal Compliance Questionnaire was completed and entered into the Town's Minute Book as prescribed by law.

NOTE 2 – CASH AND INVESTMENTS

The Town deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 allows municipalities to invest their surplus funds. The Town may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts.

The collateral for public entities' deposits in financial institutions are 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'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 Depository Insurance Corporation.

The Town's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$133,821 and a bank balance of \$135,367 at September 30, 2014, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2014:

	Beginning				Ending
	Balance	Increases	Decreases	Adjustments	Balance
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 68,600	\$ -	\$ -	\$ -	\$ 68,600
<i>Capital assets being depreciated:</i>					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	118,223	-	-	-	118,223
Mobile Equipment	25,744	-	-	-	25,744
Infrastructure	587,311	-	-	-	587,311
Total capital assets being depreciated	822,994	-	-	-	822,994
Less accumulated depreciation for:					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	116,007	7,452	-	-	123,459
Mobile Equipment	21,024	5,149	-	-	26,173
Infrastructure	29,366	14,682	-	-	44,048
Total accumulated depreciation	258,113	27,283	-	-	285,396
Total depreciable capital assets, net	564,881	(27,283)	-	-	537,598
Governmental activities capital assets, net	\$ 633,481	\$ (27,283)	\$ -	\$ -	\$ 606,198

Depreciation expense was charged to the following functions:

Governmental Activities	Amount
General Government	\$ 22,134
Public Safety	5,149
Total Governmental Activities Depreciation Expense	<u>\$ 27,283</u>

During some of the previous years, the subsidiary records of capital assets and depreciation were not maintained.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2014

NOTE 4 – RISK MANAGEMENT

The Town has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Town of Soso, 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 Soso, Mississippi, is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% 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 Soso's employer contributions to PERS for the years ending September 30, 2014, 2013, and 2012 were \$12,497, \$11,984, and \$10,611 respectively, equal to the required contributions for each year.

NOTE 6 – FEDERAL AND STATE GRANTS

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

NOTE 7 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Town of Soso, Mississippi evaluated the activity of the Town through September 9, 2015, and determined that no subsequent events require disclosure in the financial statements.

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SUPPLEMENTAL INFORMATION

Town of Soso, Mississippi
Schedule of Surety Bonds of Municipal Officials and Others
September 30, 2014

Name	Position	Bond Amount	Bonding Company
Mike Moore	Mayor	\$ 25,000	CNA Surety
Randall Beech	Police Chief	50,000	CNA Surety
Jeanne Sherman	Town Clerk	50,000	CNA Surety
Byron Craft	Alderman	10,000	CNA Surety
Kelly Barlow	Alderman	10,000	CNA Surety
Douglas W. Johnston	Alderman	10,000	CNA Surety
Jamie Powell	Alderman	10,000	CNA Surety
Michael Simpson	Alderman	10,000	CNA Surety
Howard Kitchens	Police Officer	25,000	CNA Surety
Macon Davis	Police Officer	25,000	CNA Surety
Jimmy McCoy	Police Officer	25,000	CNA Surety
Steven Todd	Police Officer	25,000	CNA Surety

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

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

Honorable Mayor, Members of the
Board of Aldermen, and Town Clerk
Soso, 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 financial statements of the governmental activities and the aggregate remaining fund information of Town of Soso, Mississippi, as of and for the year ended September 30, 2014 which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 9, 2015. The auditors' report on the financial statements is modified to reflect that the report is adverse because the Town did not maintain adequate subsidiary records documenting the existence, completeness, and valuation of fixed assets.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as 14-1, 14-2 and 14-3 to be material weaknesses.

Compliance and Other Matters

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

Town of Soso's Responses to Findings

Town of Soso, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Town of Soso, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.


Herzog CPA Company, PLLC
September 9, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Aldermen
Town of Soso
Soso, Mississippi

We have audited the accompanying financial statements of the Town of Soso, Mississippi as of and for the year ended September 30, 2014, and have issued our report thereon dated September 9, 2015. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

As required by the state legal compliance audit program prescribed by the Mississippi 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 all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Aldermen of the Town, its management and the Mississippi Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



Herzog CPA Company, PLLC

September 9, 2015

SCHEDULE OF FINDINGS

**Town of Soso, Mississippi
Schedule of Findings
For the Year Ended September 30, 2014**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditors' report issued on the financial statements: | |
| Governmental Activities | Adverse |
| General Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal Control over financial reporting: | |
| a) Material weakness identified? | Yes |
| b) Significant deficiency identified that is not considered to be a material weakness | None Reported |
| 3. Noncompliance material to the financial statements noted? | None Reported |

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Town of Soso, Mississippi
Schedule of Findings
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

14-1. Finding

Significant Deficiency – Material Weakness

Capital asset control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation, and completeness of capital assets. Therefore, the Independent Auditors' Report on the Financial Statements is adverse because we were unable to satisfy ourselves as to the fair presentation of the Town's capital assets reported for Governmental Activities. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- a. Records were not available to support the valuation and ownership of the land and buildings.
- b. The Town does not have a complete capital asset listing.

Effect

Failure to have adequate inventory controls in place could result in a loss or misappropriation of assets.

Recommendation

The Town should maintain capital asset records.

Response

The Town of Soso concurs with this finding.

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Town of Soso, Mississippi
Schedule of Findings
For the Year Ended September 30, 2014

14-2. Finding

Significant Deficiency-Material Weakness

As reported in the prior year's audit report, a critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that town personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor performed these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Aldermen should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Response

The Board of Aldermen concurs with this finding.

Town of Soso, Mississippi
Schedule of Findings
For the Year Ended September 30, 2014

14-3. Finding

Significant Deficiency-Material Weakness

The Town has a lack of segregation of duties due to the size of the Town.

Recommendation

We recommend that the mayor receive, open, and review all mail including bank statements before turning them over to the town clerk.

Response

The Town of Soso concurs with this finding.