



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. 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.

FINANCIAL STATEMENTS
Town of Shannon, Mississippi

**For the year ended
September 30, 2014**

011.21.2014

Prepared by:
Franks, Franks, Jarrell & Wilemon, P.A.
Certified Public Accountants

TOWN OF SHANNON, MISSISSIPPI
TABLE OF CONTENTS
September 30, 2014

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS:	
Statement of Cash Receipts and Disbursements – Government Wide	3
Notes to the Financial Statements	5
SUPPLEMENTAL INFORMATION:	
Schedule of Investments	9
Schedule of Surety Bonds for Town Officials	10
Schedule of Long-Term Debt.....	11
REPORT ON COMPLIANCE:	
Independent Auditors' Report on Compliance with State Laws and Regulations.....	12
Schedule of Findings and Responses	13

INDEPENDENT AUDITORS' REPORT

PO Box 731
Tupelo, MS 38807
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



FRANKS | FRANKS | JARRELL | WILEMON

www.ffjcpa.com

Partners

Gary Franks, CPA

Greg Jarrell, CPA

Bryan Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Shannon, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Shannon, Mississippi and as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities. The procedures selected depend on the auditor's 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

As described more fully in Note 1, the Town of Shannon, Mississippi has prepared these 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 our 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 Shannon, Mississippi as of September 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Shannon, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Shannon, Mississippi, as of September 30, 2014 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Shannon, Mississippi taken as a whole. Supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplementary 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, Governmental and Business-type Activities and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities taken as a whole.

This report is intended for the information of the Town's management and the Office of the Mississippi 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.

Franks, Franks, Jarrell + Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
June 12, 2015

BASIC FINANCIAL STATEMENTS

TOWN OF SHANNON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the year ended September 30, 2014

	Governmental Activities			Business-Type Activities		
	General	Special Revenue	Capital Projects	Water and Sewer System		Total
				Gas System	Gas System	
RECEIPTS:						
Ad Valorem Taxes:						
Property Taxes	\$ 123,473	\$ 3,672	\$	\$	\$	\$ 127,145
Auto Taxes	49,681					49,681
Intergovernmental Revenues:						
State Shared Revenues:						
General Municipal Aid	874					874
Sales Tax	148,909					148,909
Liquor Privilege Tax	900					900
Gasoline Tax	4,684					4,684
Homestead Exemption Reimbursement	9,081					9,081
Grant Income	9,390			427,310		436,700
Fire Protection		9,554				9,554
Other Intergovernmental Revenues:						
County Fire Allocation		24,829				24,829
Charges for Services				363,248	471,077	834,325
Fines and Forfeits:						
Police Fines	103,078					103,078
Miscellaneous Receipts:						
Customer Deposits				5,475	7,895	13,370
Franchise Tax on Utilities	78,111					78,111
Privilege Tax Revenue	3,342					3,342
Interest Income	1,470	162		321	428	2,381
Park and Recreation Fees	5,165					5,165
Other Income	10,415					10,415
Total Receipts	548,573	38,217	0	796,354	479,400	1,862,544

-4-

**TOWN OF SHANNON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 1 - 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 Shannon 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.

**TOWN OF SHANNON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Town reports the following governmental funds:

General Fund – The general fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Special Revenues Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. Special Revenue Funds include the Fire Insurance Fund and the Home Grant Program Fund.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. The Town Hall Building Fund is a Capital Project Fund.

The Town reports the following proprietary funds:

Proprietary Funds – 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 general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. Proprietary funds include the Water and Sewer Fund and the Gas Fund.

Cash and Cash Equivalents

The Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenues and Expenditures/Expenses

Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds 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.

TOWN OF SHANNON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - CASH AND OTHER DEPOSITS

The collateral for public entities' deposits in financial institutions is 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 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.

NOTE 3 - PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. The Town bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the Town.

NOTE 4 - LONG TERM DEBT

The annual requirements to amortize all debt outstanding as of September 30, 2014, including interest payments of \$373,518 are as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>MDA</u> <u>Loans</u>	<u>COP</u> <u>Loans</u>	<u>FHA</u> <u>Loans</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,337	\$ 21,000	\$ 9,724	\$ 34,273	71,334
2016	6,529	22,000	10,196	32,914	71,639
2017	6,728	23,000	10,691	31,494	71,913
2018	6,933	24,000	11,210	30,012	72,154
2019	7,144	26,000	11,754	25,449	70,347
2020-2024	39,112	147,000	67,905	116,172	370,189
2025-2029	45,433	106,000	86,068	67,603	305,105
2030-2034	50,885	-	140,524	32,913	224,321
2035-2036	-	-	432	2,688	3,120
	<u>\$ 169,101</u>	<u>\$ 369,000</u>	<u>\$ 348,504</u>	<u>\$ 373,518</u>	<u>\$ 1,260,123</u>

**TOWN OF SHANNON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Town of Shannon 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, 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 Shannon is required to contribute at an actuarially determined rate. The current rate is 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 Shannon's contributions to PERS for the years ending September 30, 2014, 2013, and 2012 were \$47,801, \$46,729, and \$43,372, respectively, equal to the required contributions for the year.

NOTE 6 - RISK MANAGEMENT

The Town of Shannon 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.

NOTE 7 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through June 12, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2014

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
GOVERNMENTAL FUNDS:						
General Fund	Certificate of Deposit	0.245%	12/27/13	12/27/15	Renasant Bank	\$ 21,325
General Fund	Certificate of Deposit	0.992%	03/04/14	03/03/15	Renasant Bank	<u>138,025</u>
Total Investments - Governmental Funds						<u>159,350</u>
PROPRIETARY FUNDS:						
Water Fund	Certificate of Deposit	0.245%	12/27/13	12/27/15	Renasant Bank	104,860
Gas Fund	Certificate of Deposit	0.245%	12/27/13	12/27/15	Renasant Bank	<u>325,615</u>
Total Investments - Proprietary Funds						<u>430,475</u>
Total Investments - All Funds						<u>\$ 589,825</u>

TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Kizzy Davis	City Clerk	St. Paul Surety	\$ 50,000
Patricia Holloway	Utility Clerk	St. Paul Surety	50,000
Mary Lee Helms	Court Clerk	St. Paul Surety	50,000
Desiree Kershner	Chief of Police	St. Paul Surety	50,000
Andrea Estes	Park & Rec. Director	St. Paul Surety	50,000
Ronnie Hallmark	Mayor	MS Municipal Bond Program	50,000
Carl Trice	Alderman	MS Municipal Bond Program	25,000
Paul Lyles	Alderman	MS Municipal Bond Program	25,000
James Oswalt	Alderman	MS Municipal Bond Program	25,000
Joseph McCord	Alderman	MS Municipal Bond Program	25,000
Bryant Thompson	Alderman	MS Municipal Bond Program	25,000

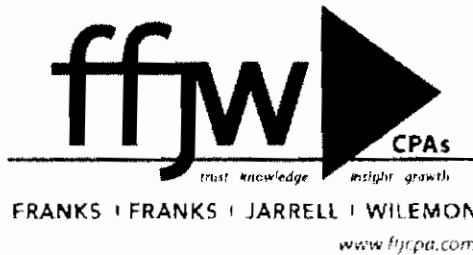
TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2014

<u>DEFINITION AND PURPOSE</u>	<u>Balance Outstanding Oct. 1, 2013</u>	<u>Transactions During The Fiscal Year (Borrowed)</u>	<u>Redeemed</u>	<u>Balance Outstanding Sept. 30, 2014</u>
Notes Payable:				
COP 2011 - Town Hall Loan	\$ 389,000	\$ 0	\$ 20,000	\$ 369,000
FHA - Natural Gas System Bond	358,650	0	10,146	348,504
MDA - Capital Improvements Loan	<u>0</u>	<u>170,139</u>	<u>1,038</u>	<u>169,101</u>
TOTAL	<u>\$ 747,650</u>	<u>\$ 170,139</u>	<u>\$ 31,184</u>	<u>\$ 886,605</u>

REPORT ON COMPLIANCE

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Hulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Greg Jarrell, CPA
Bryan Wilemon, CPA
Jonathan Hargrett, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Alderman
Town of Shannon, Mississippi

We have audited the financial statements of the Town of Shannon, Mississippi, as of and for the year ended September 30, 2014, and have issued our report thereon dated June 12, 2015. 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 the *Government Auditing Standards*.

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 state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as finding 2014-01 on page 13.

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

This report is intended for the information of 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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
June 12, 2015

**TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2014**

Finding No. 2014-01 Fixed Assets (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.