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CITY OF SHAW, MISSISSIPPI

**Financial Statement and
Supplemental Information**

For the Year Ended September 30, 2014

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CITY OF SHAW, MISSISSIPPI
FINANCIAL STATEMENT AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**BANKS, FINLEY,
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Lamar Franks
and Honorable Members of the Board of Alderpersons
City of Shaw, Mississippi

We have audited the accompanying combined statement of cash receipts and disbursements for each fund of the City of Shaw, Mississippi for the year ended September 30, 2014. These financial statements are the responsibility of the City of Shaw, Mississippi's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the City of Shaw, Mississippi, for the year ended September 30, 2014 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015, on our consideration of the City of Shaw, Mississippi's internal control over financial reporting and 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 the *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented government-wide financial statements to display the cash basis financial position and changes in cash basis financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the City's cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from the cash basis transactions for the City's governmental activities and business-type activities are not reasonably determinable.

Management also has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relations to the financial statements taken as a whole.

Bank, Finley White & Co.

Ridgeland, Mississippi
October 2, 2015

CITY OF SHAW, MISSISSIPPI
Combined Statement of Cash Receipts
and Disbursements (All Funds)
For the Year Ended September 30, 2014

	Governmental Funds		Business- Type Funds	Total (Memo Only) 2014
	General Fund	Special Revenue Fund	Water Fund	
Revenue receipts:				
General property taxes	\$ 259,892	\$ -	\$ -	\$ 259,892
Licenses and permits	3,731	-	-	3,731
Franchise taxes	48,949	-	-	48,949
State shared revenues:				
Municipal aid	973	-	-	973
Sales tax	73,175	-	-	73,175
Gasoline tax	5,094	-	-	5,094
Fire rebates	10,638	-	-	10,638
Grand Gulf	10,081	-	-	10,081
Homestead reimbursement	33,878	-	-	33,878
Other	8,606	-	-	8,606
Other:				
Rent	40,769	-	-	40,769
Fines and bonds	23,412	-	-	23,412
Interest income	-	-	12	12
Miscellaneous	95,641	-	627	96,268
Charges for services:				
Water	-	-	230,795	230,795
Garbage	71,815	-	-	71,815
Total revenue receipts	<u>686,654</u>	<u>-</u>	<u>231,434</u>	<u>918,088</u>
Other receipts:				
Tax anticipation note proceeds	50,000	-	-	50,000
Interfund loans and transfers	43,305	-	56,096	99,401
Total other receipts	<u>93,305</u>	<u>-</u>	<u>56,096</u>	<u>149,401</u>
Total receipts	<u>779,959</u>	<u>-</u>	<u>287,530</u>	<u>1,067,489</u>

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CITY OF SHAW, MISSISSIPPI
Combined Statement of Cash Receipts
and Disbursements (All Funds) - Continued
For the Year Ended September 30, 2014

	Governmental Funds		Business- Type Fund	Total (Memo Only) 2014
	General Fund	Special Revenue Fund	Water Fund	
Operating disbursements:				
General government				
Administration and finance	\$ 144,774	\$ -	\$ -	\$ 144,774
Judicial	5,787	-	-	5,787
Public safety:				
Police	253,521	-	-	253,521
Fire	22,770	-	-	22,770
Court	20,228	-	-	20,228
Public works	8,037	-	-	8,037
Health and welfare	89,786	-	-	89,786
Culture, parks and recreation	12,448	-	-	12,448
Enterprise:				
Water/Sewer	-	-	137,295	137,295
Debt Service				
Principal payment on debt	60,863	-	41,271	102,134
Interest payment on debt	788	-	43,548	44,336
Total operating disbursements	<u>619,002</u>	<u>-</u>	<u>222,114</u>	<u>841,116</u>
Other disbursements:				
Interfund loans and transfers	<u>149,994</u>	<u>940</u>	<u>86,906</u>	<u>237,840</u>
Total other disbursements	<u>149,994</u>	<u>940</u>	<u>86,906</u>	<u>237,840</u>
Total disbursements	<u>768,996</u>	<u>940</u>	<u>309,020</u>	<u>1,078,956</u>
Net change in cash balances	10,963	(940)	(21,490)	(11,467)
Cash balance - beginning of year	<u>42,636</u>	<u>940</u>	<u>29,451</u>	<u>73,027</u>
Cash balance - end of year	<u>\$ 53,599</u>	<u>\$ -</u>	<u>\$ 7,961</u>	<u>\$ 61,560</u>

CITY OF SHAW, MISSISSIPPI
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 334,739	\$ 334,739	\$ 259,892	\$ (74,847)
Licenses and permits	6,000	6,000	3,731	(2,269)
Franchise taxes	32,000	32,000	46,949	16,949
State grants	12,000	12,000	8,606	(3,394)
State shared revenues	109,619	109,819	6,068	(103,551)
Homesite exemption	-	-	33,878	33,878
Sales tax	-	-	73,175	73,175
Charges for services	71,000	71,000	71,815	815
Fire protection	-	-	10,638	10,638
Grand gulf	10,700	10,700	10,031	(619)
Fines and forfeits	20,000	20,000	23,412	3,412
Rents	32,500	32,500	40,769	8,269
Miscellaneous income	2,200	2,200	89,222	87,022
Delta Fest	2,000	2,000	2,326	326
Christmas parade	400	400	4,092	3,692
TOTAL REVENUES	633,158	633,158	686,654	53,496
EXPENDITURES:				
General Government				
Personal services	66,476	66,476	74,795	(8,319)
Supplies	5,100	5,100	4,275	825
Other services and charges	86,010	86,010	71,491	14,519
Total General Government	157,586	157,586	150,561	7,025
Public Safety				
Personal services	125,896	125,896	236,003	(110,107)
Supplies	1,250	1,250	9,050	(7,800)
Other services and charges	192,923	192,923	51,466	141,457
Total Public Safety	320,069	320,069	296,519	23,550
Public Works				
Supplies	500	500	732	(232)
Other services and charges	13,161	13,161	7,305	5,856
Total Public Works	13,661	13,661	8,037	5,624
Health and Welfare				
Personal services	18,840	18,840	17,770	(1,130)
Supplies	-	-	3,247	(3,247)
Other services and charges	95,897	95,897	68,789	27,128
Total Health and Welfare	112,537	112,537	89,786	22,751
Culture/Parks and Recreation				
Personal services	6,335	6,335	4,349	1,986
Supplies	500	500	-	500
Other services and charges	22,470	22,470	8,099	14,371
Total Culture/Parks and Recreation	29,305	29,305	12,448	16,857
Debt Service				
Principal payment on debt	-	-	60,863	(60,863)
Interest payment on debt	-	-	788	(788)
Total Debt Service	-	-	61,651	(61,651)
Total Expenditures	633,158	633,158	619,002	14,156
Excess (Deficiency) of Revenues Over Expenditures	-	-	67,652	67,652
Other Financing Sources (Uses):				
Transfers in	-	-	43,305	43,305
Proceeds from issuance of debt	-	-	50,000	50,000
Transfers out	-	-	(149,994)	(149,994)
Total Other Financing Sources	-	-	(56,689)	(56,689)
Net change in fund balance	-	-	10,963	10,963
Cash Balance at beginning of year	42,836	42,636	42,636	-
Cash Balance at end of year	\$ 42,836	\$ 42,636	53,599	\$ 10,963
Adjustments to the cash basis				
Accounts payable			-	-
Fund Balance at end of year (cash basis)			\$ 53,599	



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

November 3, 2015

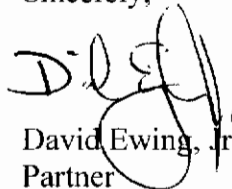
Mr. Eddie Smith
State of Mississippi
Office of the State Auditor
501 North West Street
Suite 801 Woolfolk Building
Jackson, MS 39201

Dear Mr. Smith:

Enclosed is a copy of the audited financial statements of the City of Shaw, Mississippi for the year ended September 30, 2014.

Please feel free to contact me regarding any questions or comments that you may have.

Sincerely,



David Ewing, Jr., CPA
Partner

mfd

Enclosure

Copy: Mayor Lamar Franks
City of Shaw, MS

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CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Shaw, Mississippi, (City) have been prepared in conformity with the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenses and requisition of assets are recognized when cash is disbursed rather than when the obligation is incurred. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements issued after November 30, 1989. The more significant of the government's accounting policies are described below.

A. Fund Accounting

The financial statement consist of all the funds of the City of Shaw: General Fund, Special Revenue Funds, and the Enterprise Funds.

The accounts of the City of Shaw are organized on the basis of funds, each of which is considered a separate accounting entity.

GOVERNMENTAL FUNDS

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted for specific expenditure purposes. The Special Revenue Fund in this financial statement is used to account for receipts and disbursements of the City's restricted resources.

PROPRIETARY FUNDS

Enterprise Fund: The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Water and Sewer Funds are included in this category.

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CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MAJOR FUNDS

For 2014, the City reports the following major funds:

General Fund - reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Water and Sewer Fund - accounts for the operating activities of the City's water and sewer utility services.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements are prepared on a cash receipts and disbursements basis, according to requirements for small Cities in the State of Mississippi as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures or expenses are recognized when paid rather than when the obligation is incurred.

C. Total Columns on Combined Statement

The total column on the Combined Statement of Cash Receipts and Disbursements is captioned Memorandum Only to indicate that it is presented only to facilitate analysis. Data in this column is not meant to present fairly the cash receipts and disbursements of consolidated financial information for the City as a whole in conformity with the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

D. Cash and Cash Equivalents

The City deposits excess funds in the financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposits with maturities greater than 12 months when acquired.

E. Investments

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For accounting purposes, certificates of deposits are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

F. Report Classification

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

G. Property Tax

Property taxes attach as an enforceable lien on property 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. The millage rate for the City for the fiscal year ended September 30, 2014 was 82.0 mills for general purposes.

NOTE 2 - BUDGET POLICY

- ♦ The City follows these procedures in establishing the budgetary data reflected in the financial statements:
- ♦ Prior to September 30, the City Clerk submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and expenditures and the means of financing them.
- ♦ Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- ♦ The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then, the budget is approved prior to September 15.
- ♦ The Budget is formally revised during July of each year or anytime a deficit is indicated.
- ♦ Budgetary comparisons are employed by management as a management control device during the year for all funds.
- ♦ Appropriations lapse at the end of each fiscal year.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 2 - BUDGET POLICY (Continued)

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws. The major reconciling items between the budgetary and cash basis presentations are presented on the "budget to actual" statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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, Mississippi 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.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds was \$53,599 and \$7,961, respectively. The bank balance was \$81,073.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2014, none of the City's bank balance of \$81,073 was exposed to custodial credit risk.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2014, none of the City's bank balance of \$81,073 was exposed to custodial credit risk.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2014, the City had no investments.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

NOTE 4 - LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

A. Governmental Type Activities

During the year ended September 30, 2014, the following changes occurred in liabilities reported for the General Government:

	Balance Oct. 1, 2013	Additions	Retirements	Adjustment	Balance Sept. 30, 2014	Amount Due Within One Year
General obligation bonds	\$ 52,832	\$ -	\$ (6,948)	\$ 9,116	\$ 55,000	\$ 21,748
Revenue bonds	142,405	-	(3,915)	6,578	145,068	4,091
Tax anticipation note	-	50,000	(50,000)	-	-	-
Total	<u>\$ 195,237</u>	<u>\$ 50,000</u>	<u>\$ (60,863)</u>	<u>\$ 15,694</u>	<u>\$ 200,068</u>	<u>\$ 25,839</u>

General Obligation Bonds, Obligations Under Capital Leases, and Notes Payable

The government issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 4 - LONG-TERM DEBT (Continued)

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

1. General Obligation Bonds Payable

The outstanding General Obligation Bonds are as follows as of September 30, 2014.

	<u>Amount Outstanding</u>
On April 27, 1999, the Mayor and Board of Alderman authorized the issuance of \$114,200 in general obligation bonds with interest rates of 4.75% maturing April 27, 2019. Proceeds from these bonds were used for street improvements. This debt will be retired from the City's General Obligation Bond Fund.	\$ <u>55,000</u>

Annual debt service requirements to maturity for general obligation bonds for the General Government are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2015	\$ 21,748	\$ 5,601	\$ 27,349
2016	7,636	1,622	9,258
2017	8,012	1,246	9,258
2018	8,402	856	9,258
2019	<u>9,202</u>	<u>448</u>	<u>9,650</u>
Total	\$ <u>55,000</u>	\$ <u>9,773</u>	\$ <u>64,773</u>

2. Revenue Bonds Payable

The outstanding Revenue Bond Payable is as follows as of September 30, 2014.

	<u>Amount Outstanding</u>
On December 19, 2006, the Mayor and Board of Alderman authorized the issuance of \$168,550 in revenue urban renewal bonds with an interest rate of 4.375% maturing December, 19, 2036. Proceeds from these bonds were used for City Hall Development. This debt will be retired from the City's General Obligation Bond Fund.	\$ <u>145,068</u>

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 4 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the note for the General Government are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2015	\$ 4,091	\$ 6,280	\$ 10,371
2016	4,256	6,115	10,371
2017	4,464	5,907	10,371
2018	4,663	5,708	10,371
2019	4,872	5,499	10,371
2020-2024	27,799	24,056	51,855
2025-2029	34,617	17,238	51,855
2030-2034	43,084	8,771	51,855
2035-2036	17,222	697	17,919
Total	<u>\$ 145,068</u>	<u>\$ 80,271</u>	<u>\$ 225,339</u>

CHANGES IN LONG-TERM LIABILITIES

B. Business-Type Activities

During the year ended September 30, 2014, the following changes occurred in liabilities reported for the Water/Sewer Fund:

	Balance Oct. 1, 2013	Additions	Retirements	Adjustments	Balance Sept. 30, 2014	Amount Due Within One Year
Revenue bonds	<u>\$ 849,014</u>	<u>\$ -</u>	<u>\$ (41,271)</u>	<u>\$ 719</u>	<u>\$ 808,462</u>	<u>\$ 55,141</u>
Total	<u>\$ 849,014</u>	<u>\$ -</u>	<u>\$ (41,271)</u>	<u>\$ 719</u>	<u>\$ 808,462</u>	<u>\$ 55,141</u>

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

The following is outstanding debt related to Business-Type Activities as of September 30, 2014.

1. Revenue Bonds Payable

	<u>Amount Outstanding</u>
On January 10, 1986, the Mayor and Board of Alderman authorized the issuance of \$530,500 in combined water and sewer system revenue disposal bonds with interest rates of 6.625% maturing on January 10, 2021. Proceeds from these bonds were used to make improvements to the water and waste water treatment facility. This debt will be retired from the Water and Sewer Proprietary Fund.	\$ 155,197
On November 7, 2007, the Mayor and Board of Alderman authorized the issuance of \$718,000 in combined water and sewer system rehabilitation revenue bonds with an interest rate of 4.25% maturing on November 7, 2042. Proceeds from these bonds were used to make improvements to the water and sewer system facility. This debt will be retired from the Water and Sewer Proprietary Fund.	<u>653,265</u>
Total Revenue Bonds Payable	\$ <u>808,462</u>

Annual debt service requirements to maturity for revenue refunding bonds for the Proprietary Fund are as follows:

Rural Development Loan Number 91-01

Fiscal year ending September 30	Principal	Interest	Total
2015	\$ 30,540	\$ 9,420	\$ 39,960
2016	32,611	7,349	39,960
2017	34,865	5,095	39,960
2018	37,253	2,707	39,960
2019	19,928	408	20,336
Total	<u>\$ 155,197</u>	<u>\$ 24,979</u>	<u>\$ 180,176</u>

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 4 - LONG-TERM (Continued)

Rural Development Loan Number 93-06

Fiscal year ending September 30	Principal	Interest	Total
2015	\$ 24,601	\$ 28,886	\$ 53,487
2016	13,740	26,569	40,309
2017	14,411	25,898	40,309
2018	15,036	25,273	40,309
2019	15,689	24,620	40,309
2020 - 2024	89,135	112,410	201,545
2025 - 2029	110,325	91,220	201,545
2030 - 2034	136,455	65,090	201,545
2035 - 2039	168,775	32,770	201,545
2040 - 2041	65,098	2,468	67,566
Total	<u>\$ 653,265</u>	<u>\$ 435,204</u>	<u>\$ 1,088,469</u>

NOTE 5 - DEFINED BENEFIT PENSION PLANS

1. Public Employees' Retirement System

A. Plan Description and Provisions

The City of Shaw, 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.

B. Plan Funding Policy

At September 30, 2014 PERS members were required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. This rate as 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 City's contributions to PERS for the years ended September 30, 2014, 2013, and 2012 were \$51,232, \$86,735, and \$46,332, respectively, equal to the required contributions for each year.

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CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2014

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

C. *Trend Information*

Ten year historical information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS' June 30, 2014, comprehensive annual financial report.

SUPPLEMENTAL INFORMATION

CITY OF SHAW, MISSISSIPPI
Schedule of Investments - All Funds
For the Year Ended September 30, 2014

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Financial Institution</u>	<u>Investment Balance</u>
General Fund	Certificate of Deposit	.900%	06/17/14	09/14/15	Regions Bank	\$ 1,807
Enterprise Fund	Certificate of Deposit	1.00%	07/23/14	10/23/14	Regions Bank	\$ 3,035
Enterprise Fund	Certificate of Deposit	1.00%	09/17/14	12/17/15	Regions Bank	<u>683</u>
Total Investments						<u>\$ 5,525</u>

All certificates of deposit are included in the cash balance at year end. The fair value of the certificates of deposits is approximately the same as the carrying value.

SINGLE AUDIT SECTION

CITY OF SHAW, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year September 30, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Current Year Federal Expenditures
U. S. Department of Agriculture			
<i>Community Facilities Loans and Grants Cluster:</i>			
The City of Shaw has the following revenue bonds payable to Rural Development at September 30, 2014 which were used to construct the new city hall building.			
4.375% urban renewal revenue bond	10.766	97-08	\$ 145,172
4.750% urban renewal revenue bond	10.766	97-03	<u>40,538</u>
			<u>185,710</u>
The City of Shaw has the following revenue bond payable to Rural Development at September 30, 2014 which were used to make capital improvements to its water and sewer system.			
<i>Waste and Waste Program Cluster:</i>			
6.625% revenue bond dated January 10, 1986	10.760	91-01	155,197
<i>Water and Waste Disposal Loans and Grants (Section 306C)</i>			
4.25% revenue bond dated November 7, 2007	10.770	93-06	<u>653,265</u>
Total Other Federal Awards			<u>994,172</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>994,172</u>

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CITY OF SHAW, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Shaw, Mississippi and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**BANKS, FINLEY,
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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor Lamar Franks and
Honorable Members of the Board of Alderpersons
City of Shaw, Mississippi

We have audited the accompanying cash basis financial statements of the City of Shaw, Mississippi (the City), as of and for the year ended September 30, 2014, and have issued our report thereon dated October 2, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Banks, Finley, White & Co.

Ridgeland, Mississippi
October 2, 2015



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor Lamar Franks and
Honorable Members of the Board of Alderpersons
City of Shaw, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Shaw, Mississippi's (the City) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City of Shaw, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Shaw, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Shaw, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Shaw, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of City of Shaw, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Shaw, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Shaw, Mississippi's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Banks, Finley, White & Co.

Ridgeland, Mississippi
October 2, 2015

CITY OF SHAW, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2014

Prior Year Audit Findings

The City of Shaw had no prior year audit findings.

CITY OF SHAW, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2014

Section 1 - Summary of Auditor's Results

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unmodified |
| 2. | Material noncompliance relating to the basic financial statements. | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit findings reported as required by Section 510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | U. S. Department of Agriculture | |
| | Rural Development Guaranteed Loans | |
| | CFDA Number 10.770, 10.760 and 10.766 | |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: \$300,000 | |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE

STATE LEGAL COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor Lamar Franks and
Honorable Members of the Board of Alderperson
of the City of Shaw, Mississippi

We have audited the cash basis financial statements of the City of Shaw, Mississippi, (the City) as of and for the year ended September 30, 2014, and have issued our report thereon dated October 2, 2015.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States America, *Governmental Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations.

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

The results of procedures performed to test compliance with certain other laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the Mayor, Board of Alderpersons, management and 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.

Banks, Finley, White & Co.

Ridgeland, Mississippi
October 2, 2015

CITY OF SHAW, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Lamar Franks	Mayor	Travelers Casualty	\$ 50,000
Garry Griffith	Alderman	Travelers Casualty	50,000
Quinton Westmoreland	Alderman	Travelers Casualty	50,000
Roger Carter	Alderman	Travelers Casualty	50,000
Sylvester Kyles	Alderman	Travelers Casualty	50,000
Robert Sanders	Alderman	Travelers Casualty	50,000
Ann Marie Blakes	City Clerk	Travelers Casualty	50,000
Iretha Franklin	Deputy Clerk	Travelers Casualty	50,000
Anthony Gibson	Chief of Police	Travelers Casualty	50,000
James Winston (Effective 10/08/14)	Interim Chief of Police	Travelers Casualty	50,000

CITY OF SHAW, MISSISSIPPI
Statement of Legal Debt Limit
September 30, 2014

Authorized Debt Limit Percent Rule

Authorized Debt Limit Percent	15%	20%
2014 Tax Roll Estimation	\$ 4,778,061	\$ 4,778,061
Less: Homestead Exemption	(33,878)	(33,878)
Net 2014 Estimation Tax Roll	<u>\$ 4,744,183</u>	<u>\$ 4,744,183</u>
Assessed Valuation under respective debt limit	\$ 711,627	\$ 948,837
Less: All Bonded Indebtness	1,008,530	1,008,530
Deduct: Authorized Exemptions		
General Fund Bonds	<u>145,068</u>	<u>145,068</u>
Water Sewer Revenue Bonds	<u>808,462</u>	<u>808,462</u>
Present debt subject to limitation	<u>55,000</u>	<u>55,000</u>
Margin for further debt under respective debt limits	<u>\$ 656,627</u>	<u>\$ 893,837</u>

Section 21-31-301 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

CITY OF SHAW, MISSISSIPPI
Schedule of Bonds and Notes Payable
September 30, 2014

	Interest Rates	Issue Date	Final Maturity Date	Authorized	Issued	Bond & Notes Retired	Outstanding
General Government:							
General Obligations Bonds:							
Street improvement bonds	4.75%	04/27/1999	04/27/2019	\$ 114,200	\$ 114,200	\$ 6,948	\$ 55,000
Revenue Bonds							
Urban renewal revenue bonds	4.375%	12/19/2006	12/19/2036	168,550	168,550	3,915	145,068
Tax Anticipation Note:							
Planters Bank and Trust Company	5.450%	12/12/2013	03/15/2014	50,000	50,000	50,000	-
Total General Government Debt				332,750	332,750	60,863	200,068
<u>Business Type - Activities</u>							
Revenue Bonds							
1986 Water and Sewer Disposal Bonds	6.625%	01/10/1986	1/10/2021	530,500	530,500	28,583	155,197
Water and Sewer Rehabilitation Bond	4.25%	11/07/2007	11/07/2042	718,000	718,000	12,689	653,265
Total Revenue Bonds				1,248,500	1,248,500	41,272	808,462
Grand Total				\$ 1,581,250	\$ 1,581,250	\$ 102,135	\$ 1,008,530

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