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**TOWN OF SOSO, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**OCT 19 2017**

**TOWN OF SOSO, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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# HERZOG CPA COMPANY, PLLC

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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, 2016, 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 4 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, 2016, 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, 2016, 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.

#### Other Matters

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the Town's Contributions, and corresponding notes be presented to supplement the basic financial statements. Such 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. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017, 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*  
Herzog CPA Company, PLLC  
August 22, 2017

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## **FINANCIAL STATEMENTS**

**Town of Soso, Mississippi**  
**Statement of Net Position**  
**September 30, 2016**

**EXHIBIT 1**

	<u>Primary Government</u>	
	<u>Governmental</u>	
<b>Assets</b>	<b>Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 40,792	\$ 40,792
Certificates of Deposit	101,945	101,945
Receivables (net of uncollectibles):		
Fines	5,801	5,801
Prepaid Expenses	2,451	2,451
Capital Assets:		
Land	68,600	68,600
Buildings	91,716	91,716
Furniture and Equipment	139,647	139,647
Mobile Equipment	28,527	28,527
Infrastructure	587,311	587,311
Less: Accumulated Depreciation	(314,137)	(314,137)
Net Capital Assets	601,664	601,664
<b>Total Assets</b>	<b>752,653</b>	<b>752,653</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension	21,486	21,486
<b>Total Deferred Outflows of Resources</b>	<b>21,486</b>	<b>21,486</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 774,139</b>	<b>\$ 774,139</b>
<b>Liabilities and Net Position</b>		
Accounts Payable	\$ 15,784	\$ 15,784
Other Accrued Liabilities	9,397	9,397
Non-Current Liabilities:		
Net Pension Liability	178,625	178,625
<b>Total Liabilities</b>	<b>203,806</b>	<b>203,806</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension	338	338
<b>Total Deferred Inflows of Resources</b>	<b>338</b>	<b>338</b>
<b>Net Position</b>		
Net Investment in Capital Assets	601,664	601,664
Unrestricted	(31,669)	(31,669)
<b>Total Net Position</b>	<b>569,995</b>	<b>569,995</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 774,139</b>	<b>\$ 774,139</b>

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, 2016**

**EXHIBIT 2**

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Total
		Charges for Services	Operating Grants	Capital Grants		
Governmental Activities:						
General Government	\$ (129,234)	\$ -	\$ -	\$ -	\$ (129,234)	\$ (129,234)
Public Safety	(94,660)	-	-	-	(94,660)	(94,660)
Total Governmental Activities	<u>\$ (223,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(223,894)</u>	<u>(223,894)</u>
General Revenues:						
Franchise Tax					12,608	12,608
Sales Tax					153,427	153,427
Licenses and Permits					2,315	2,315
Intergovernmental, Not Restricted to Specific Functions/Programs					1,351	1,351
Fines and Forfeitures					3,087	3,087
Other Revenue					8,055	8,055
Total General Revenues and Transfers					<u>180,843</u>	<u>180,843</u>
Change in Net Position					(43,051)	(43,051)
Net Position- Beginning					613,046	613,046
Net Position, End of Year					<u>\$ 569,995</u>	<u>\$ 569,995</u>

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, 2016**

**EXHIBIT 3**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 40,792	\$ 40,792
Certificates of Deposit	101,945	101,945
Fines Receivable - Net	5,801	5,801
Prepaid Expenses	2,451	2,451
<b>Total Assets</b>	<b>\$ 150,989</b>	<b>\$ 150,989</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 15,784	\$ 15,784
Other Accrued Liabilities	9,397	9,397
<b>Total Liabilities</b>	<b>25,181</b>	<b>25,181</b>
<b>Deferred Inflows of Resources</b>		
Unearned Revenue-Fines	5,801	5,801
<b>FUND BALANCES:</b>		
Unassigned	120,007	120,007
<b>Total Fund Balances</b>	<b>120,007</b>	<b>120,007</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 150,989</b>	<b>\$ 150,989</b>

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, 2016**

**EXHIBIT 3.1**

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<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 120,007</b>
---	-------------------

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	601,664
---------------------------	---------

Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	5,801
--	-------

Deferred outflows related to pension liability are applicable to future periods, and, therefore, are not reported in the funds.	21,486
--	--------

Deferred inflows related to pension liability are applicable to future periods, and, therefore, are not reported in the funds.	(338)
---	-------

Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds.	(178,625)
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<b>Net Position of Governmental Activities</b>	<b><u>\$ 569,995</u></b>
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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, 2016**

**EXHIBIT 4**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Licenses and Permits	\$ 2,315	\$ 2,315
Franchise Taxes	12,608	12,608
Intergovernmental	154,778	154,778
Fines and Forfeitures	3,093	3,093
Miscellaneous	8,055	8,055
<b>Total Revenues</b>	<b>180,849</b>	<b>180,849</b>
<b>EXPENDITURES</b>		
Current:		
General Government	99,815	99,815
Public Safety	93,739	93,739
<b>Total Expenditures</b>	<b>193,554</b>	<b>193,554</b>
<b>Net Change in Fund Balances</b>	<b>(12,705)</b>	<b>(12,705)</b>
<b>Fund Balances - Beginning</b>	<b>132,712</b>	<b>132,712</b>
<b>Fund Balances - Ending</b>	<b>\$ 120,007</b>	<b>\$ 120,007</b>

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, 2016**

**EXHIBIT 4.1**

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Net Change in Fund Balances - Total Governmental Funds	\$	(12,705)
--	----	----------

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.		21,424
--	--	--------

Depreciation Expense		(19,167)
----------------------	--	----------

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.		(6)
--	--	-----

Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period		(28,119)
---	--	----------

Recording of contributions made subsequent to the measurement date		2,254
--	--	-------

Recording of the reduction in pension expense for amounts included in net pension liability		(6,732)
---	--	---------

Change in Net Position of Governmental Activities	\$	<u>(43,051)</u>
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The notes to the financial statements are an integral part of this statement.

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**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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, 2016**

**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, 2016.

**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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 \$110,213 at September 30, 2016.

**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.



**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**I. Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has incurred deferred outflows that are related to pension reporting.

**J. Compensated Absences**

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

**K. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting.

**L. 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, 2016.

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

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**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Equity Classifications-Continued**

**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, 2016.

*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, 2016.

*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.

**M. Surety Bonds**

Surety bond coverage meets the legal requirements for the year ended September 30, 2016.

**N. Mississippi Municipal Compliance Questionnaire**

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

**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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 \$142,737 and a bank balance of \$145,283 at September 30, 2016, 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, 2016**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended September 30, 2016:

	Beginning				Ending
	Balance	Increases	Decreases	Adjustments	Balance
<b>Governmental Activities:</b>					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 68,600	\$ -	\$ -	\$ -	\$ 68,600
<i><u>Capital assets being depreciated:</u></i>					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	118,223	21,424	-	-	139,647
Mobile Equipment	28,527	-	-	-	28,527
Infrastructure	587,311	-	-	-	587,311
Total capital assets being depreciated	825,777	21,424	-	-	847,201
<b>Less accumulated depreciation for:</b>					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	123,459	3,928	-	-	127,387
Mobile Equipment	26,301	556	-	-	26,857
Infrastructure	53,494	14,683	-	-	68,177
Total accumulated depreciation	294,970	19,167	-	-	314,137
Total depreciable capital assets, net	530,807	2,257	-	-	533,064
Governmental activities capital assets, net	\$ 599,407	\$ 2,257	\$ -	\$ -	\$ 601,664

Depreciation expense was charged to the following functions:

Governmental Activities	Amount
General Government	\$ 14,683
Public Safety	4,484
Total Governmental Activities Depreciation Expense	<u>\$ 19,167</u>

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

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**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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 – PENSION PLAN OBLIGATIONS**

**General Information about the Pension plan**

**Plan Description**

The Town of Soso is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

**Benefits Provided**

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled upon application, to annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 5 –PENSION PLAN OBLIGATIONS-Continued**

**Contributions**

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the years ended September 30, 2016, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of their annual pay, while the Town's required contribution rate was 15.75 percent of annual covered payroll. The Town of Soso's employer contributions to PERS for the years ending September 30, 2016, 2015, and 2014 were \$11,971, \$12,424, and \$12,527 (employer share). The contributions for each year met the required contributions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2016, the Town of Soso reported a liability of \$178,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, the Town of Soso's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2016, relative to the total employer contributions of participating employers to PERS. At June 30, 2016, the Town of Soso's proportion was .001% which was the same % as its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Town of Soso, recognized pension expense of \$28,119. At September 30, 2016, the Town of Soso reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,551	\$ -
Net difference between projected and actual earnings on pension plan investments	9,680	-
Changes in assumptions	6,001	338
Contributions subsequent to the measurement date	2,254	-
	<u>\$ 21,486</u>	<u>\$ 338</u>

**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 5 - PENSION PLAN OBLIGATIONS-Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -Continued**

At September 30, 2016, the Town of Soso reported \$2,254 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2017	\$ 6,135
2018	6,135
2019	4,203
2020	2,421
	<u>\$ 18,894</u>

**Actuarial Assumptions**

The total pension liability used in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.75%-19.00%, average, including inflation
Investment rate of return	7.75%, net of position of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 5 – PENSION PLAN OBLIGATIONS-Continued**

**Actuarial Assumptions-Continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(.50)
	<u>100.00 %</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 5 – PENSION PLAN OBLIGATIONS-Continued**

**Sensitivity of the Town of Soso's Proportionate share of the Net Pension Liability to changes in the Discount Rate**

The Town of Soso's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the Town of Soso's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 229,037	\$ 178,625	\$ 136,799

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report which can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

**Payable to the Pension Plan**

At September 30, 2016, the Town of Soso has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2016.

**NOTE 6 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The governmental activities' unrestricted net position amount of \$(31,669) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,254 resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$19,232 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$338 balance of the deferred inflow of resources relate to pension at September 30, 2016, will be recognized in pension expense over the next four years.

**NOTE 7 – 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.

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**Town of Soso, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 8 – 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 August 22, 2017, and determined that no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**Town of Soso, Mississippi**  
**Schedule of the Town's Proportionate Share**  
**of the Net Pension Liability**  
**For the Years Ended September 30, 2016, 2015, and 2014**

	2016	2015	2014
Employer's proportion of the net pension liability (asset)	.001%	.001%	.001%
Employer's proportionate share of the net pension liability (asset)	\$ 178,625	\$ 154,580	\$ 121,382
Employer's covered-employee payroll	76,006	78,883	79,537
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	235.01%	195.96%	152.61%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the final year presented.

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the Town has only presented information for the years in which information is available.

See the Notes to the Required Supplementary Information.

**Town of Soso, Mississippi**  
**Schedule of the Town's Contributions**  
**For the Years Ended September 30, 2016, 2015, and 2014**

	2016	2015	2014
Contractually required contribution	\$ 11,971	\$ 12,424	\$ 12,527
Contributions in relation to the contractually required	<u>(11,971)</u>	<u>(12,424)</u>	<u>(12,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 76,006	\$ 78,883	\$ 79,537
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

Information above is presented as of the Employer's fiscal year

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the Town has only presented information for the years in which information is available.

See the Notes to the Required Supplementary Information.

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**Town of Soso, Mississippi**  
**Notes to the Required Supplementary Information**  
**For the Year Ending September 30, 2016**

a. Schedule of the Town's Proportionate Share of the Net Pension Liability and Schedule of the Town's Contributions.

Changes in Benefit Provisions.

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each proceeding year with a minimum rate of one percent and a maximum rate of five percent.

Changes of Assumptions.

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**SUPPLEMENTARY INFORMATION**

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**Town of Soso, Mississippi**  
**Schedule of Surety Bonds of Municipal Officials and Others - Unaudited**  
**September 30, 2016**

<b>Name</b>	<b>Position</b>	<b>Bond Amount</b>	<b>Bonding Company</b>
Mike Moore	Mayor	\$ 25,000	CNA Surety
Jimmy McCoy	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
Dave Gulley	Police Officer	25,000	CNA Surety
Andrew Spurlin	Police Officer	25,000	CNA Surety
Issac Coleman	Police Officer	25,000	CNA Surety
Steven Todd	Police Officer	25,000	CNA Surety

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## **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, 2016 which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 22, 2017. 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 and Responses, 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 and Responses as 2016-001, 2016-002 and 2016-003 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 and Responses. 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*

Herzog CPA Company, PLLC  
August 22, 2017

## HERZOG CPA COMPANY, PLLC

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### INDEPENDENT ACCOUNTANTS' 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, 2016, and have issued our report thereon dated August 22, 2017. 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*

Herzog CPA Company, PLLC  
August 22, 2017

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## **SCHEDULE OF FINDINGS AND RESPONSES**

**Town of Soso, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016**

**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?                          | No            |

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**Town of Soso, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016**

**Section 2: Financial Statement Findings**

**2016-001. Finding**

**Significant Deficiency – Material Weakness**

As reported in the prior year's audit report, 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 and Responses**  
**For the Year Ended September 30, 2016**

2016-002. 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 and Responses  
For the Year Ended September 30, 2016**

2016-003. Finding

Significant Deficiency-Material Weakness

As reported in the prior year's audit report, 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.

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