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BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

December 6, 2018

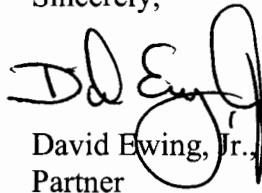
Mr. Eddie Smith
State of Mississippi
Office of the State Auditor
501 North West Street
Suite 801 Woolfolk Building
Jackson, MS 39201

Dear Mr. Smith:

Enclosed is a copy of the compilation report and agreed-upon procedures of the City of Shaw, Mississippi for the year ended September 30, 2017.

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

Sincerely,


David Ewing, Jr., CPA
Partner

mfd

Enclosure

Copy: Honorable Mayor Evereth Stanton
City of Shaw, MS

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CITY OF SHAW, MISSISSIPPI
COMPILATION REPORT AND
REPORT ON AGREED-UPON PROCEDURES
Year Ended September 30, 2017

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CITY OF SHAW, MISSISSIPPI
COMPILATION REPORT AND
REPORT ON AGREED-UPON PROCEDURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor Everette Stanton
and Board of Alderpersons
City of Shaw, Mississippi

Management is responsible for the combined statement of cash receipts and disbursements for each fund of the City of Shaw, Mississippi for the year ended September 30, 2017, and the accompanying supplementary information contained in Schedules 1 through 5, which are presented only for supplementary analysis purposes. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the accompanying statement of cash receipts and disbursements and supplementary information nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the combined statement of cash receipts and disbursements.

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.

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

In accordance with the provisions of 21-35-31, Miss. Code Ann. (1972), we have issued a report dated December 6, 2018, on the results of our agreed-upon procedures.

Brown, Ewing & Co.

Ridgeland, Mississippi
December 6, 2018

CITY OF SHAW, MISSISSIPPI
Combined Statement of Cash Receipts
and Disbursements (All Funds)
For the Year Ended September 30, 2017

	<u>Governmental Funds</u>		<u>Business Type Funds</u>		Total
	General Fund	Special Revenue Fund	Water Fund	Sewer Fund	(Memo Only) 2017
Revenue receipts:					
General property taxes	\$ 357,769	-	-	-	\$ 357,769
Licenses and permits	4,061	-	-	-	4,061
Franchise taxes	13,530	-	-	-	13,530
Federal grants	-	-	-	395,725	395,725
State shared revenues:					
Municipal aid	973	-	-	-	973
Sales tax	84,624	-	-	-	84,624
Gasoline tax	5,612	-	-	-	5,612
Fire rebates	10,929	-	-	-	10,929
Grand Gulf	10,241	-	-	-	10,241
Liquor licenses	1,800	-	-	-	1,800
Homestead reimbursement	32,476	-	-	-	32,476
Other	2,075	-	-	-	2,075
Other:					
Rent	29,792	-	-	-	29,792
Fines and bonds	24,825	-	-	-	24,825
Interest income	40	-	11	-	51
Miscellaneous	26,754	-	11,964	-	38,718
Charges for services:					
Water/Sewer	-	-	237,372	112,244	349,616
Garbage	79,384	-	-	-	79,384
Total revenue receipts	<u>684,885</u>	<u>-</u>	<u>249,347</u>	<u>507,969</u>	<u>1,442,201</u>
Other receipts:					
Proceeds from capital lease	-	-	-	-	-
Interfund loans and transfers	41,360	-	12,791	-	54,151
Total other receipts	<u>41,360</u>	<u>-</u>	<u>12,791</u>	<u>-</u>	<u>54,151</u>
Total receipts	<u>\$ 726,245</u>	<u>-</u>	<u>262,138</u>	<u>507,969</u>	<u>\$ 1,496,352</u>

CITY OF SHAW, MISSISSIPPI
Combined Statement of Cash Receipts
and Disbursements (All Funds) - Continued
For the Year Ended September 30, 2017

	<u>Governmental Funds</u>		<u>Business Type Fund</u>		Total
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Water Fund</u>	<u>Water Fund</u>	(Memo Only) 2017
Operating disbursements:					
General government					
Administration and finance	\$ 127,565	-	-	-	\$ 127,565
Judicial	9,263	-	-	-	9,263
Public safety:					
Police	256,508	-	-	-	256,508
Fire	29,782	-	-	-	29,782
Court	12,622	-	-	-	12,622
Public works	91	-	-	-	91
Health and welfare	86,363	-	-	-	86,363
Culture, parks and recreation	6,807	-	-	-	6,807
Enterprise:					
Water/Sewer	-	-	163,199	63,646	226,845
Debt Service					
Principal payment on debt	12,493	-	55,150	-	67,643
Interest payment on debt	7,136	-	35,362	-	42,498
Total operating disbursements	<u>548,630</u>	<u>-</u>	<u>253,711</u>	<u>63,646</u>	<u>865,987</u>
Other disbursements:					
Capital outlay - water/sewer	-	-	33,979	412,461	446,440
Interfund loans and transfers	<u>43,890</u>	<u>-</u>	<u>9,826</u>	<u>-</u>	<u>53,716</u>
Total other disbursements	<u>43,890</u>	<u>-</u>	<u>43,805</u>	<u>412,461</u>	<u>500,156</u>
Total disbursements	<u>592,520</u>	<u>-</u>	<u>297,516</u>	<u>476,107</u>	<u>1,366,143</u>
Net change in cash balances	133,725	-	(35,378)	31,862	130,209
Cash balance - beginning of year	<u>378,137</u>	<u>-</u>	<u>76,019</u>	<u>3,970</u>	<u>458,126</u>
Cash balance - end of year	<u>\$ 511,862</u>	<u>-</u>	<u>40,641</u>	<u>35,832</u>	<u>\$ 588,335</u>

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CITY OF SHAW, MISSISSIPPI
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 235,850	\$ 235,850	\$ 357,769	\$ 121,919
Licenses and permits	2,000	2,000	4,061	2,061
Franchise taxes	20,000	20,000	13,530	(6,470)
State grants	3,000	3,000	2,075	(925)
State shared revenues	44,979	44,979	28,235	(16,744)
Homestead exemption	34,000	34,000	32,476	(1,524)
Sales tax	88,000	88,000	84,624	(3,376)
Charges for services	72,000	72,000	79,384	7,384
Fire protection	11,000	11,000	10,929	(71)
Grand gulf	10,500	10,500	10,241	(259)
Fines and forfeits	20,000	20,000	24,825	4,825
Rents	32,500	32,500	29,792	(2,708)
Interest	-	-	40	40
Miscellaneous income	1,500	1,500	3,930	2,430
Delta Fest	2,000	2,000	2,222	222
Christmas parade	600	600	702	102
TOTAL REVENUES	577,929	577,929	684,835	106,906
EXPENDITURES:				
General Government				
Personal services	81,282	81,282	80,674	608
Supplies	2,999	2,999	6,512	(3,513)
Other services and charges	51,943	51,943	49,642	2,301
Total General Government	136,224	136,224	136,828	(604)
Public Safety				
Personal services	133,500	133,500	179,430	(45,930)
Supplies	1,200	1,200	32,174	(30,974)
Other services and charges	185,345	185,345	87,308	98,037
Total Public Safety	320,045	320,045	298,912	21,133
Public Works				
Supplies	560	560	91	469
Other services and charges	16,100	16,100	-	16,100
Total Public Works	16,660	16,660	91	16,569
Health and Welfare				
Supplies	3,000	3,000	-	3,000
Other services and charges	84,300	84,300	86,363	(2,063)
Total Health and Welfare	87,300	87,300	86,363	937
Culture\Parks and Recreation				
Personal services	-	-	4,796	(4,796)
Other services and charges	17,700	17,700	2,011	15,689
Total Culture\Parks and Recreation	17,700	17,700	6,807	10,893
Debt Service				
Principal payment on debt	-	-	12,493	(12,493)
Interest payment on debt	-	-	7,136	(7,136)
Total Debt Service	-	-	19,629	(19,629)
Total Expenditures	577,929	577,929	548,630	29,299
Excess (Deficiency) of Revenues Over Expenditures	-	-	136,205	136,205
Other Financing Sources (Uses):				
Transfers in	-	-	41,360	41,360
Transfers out	-	-	(43,890)	(43,890)
Total Other Financing Sources	-	-	(2,530)	(2,530)
Net change in fund balance	-	-	133,675	133,675
Cash Balance at beginning of year	378,137	378,187	378,187	-
Cash Balance at end of year	\$ 378,137	\$ 378,187	511,862	\$ 133,675
Fund Balance at end of year (cash basis)			\$ 511,862	

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

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.

MAJOR FUNDS

For 2017, 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.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 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, 2017

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 \$511,862 and \$40,641, respectively. The bank balance was \$656,228.

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, 2017, none of the City's bank balance of \$656,228 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, 2017, none of the City's bank balance of \$656,228 was exposed to custodial credit risk.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

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, 2017, 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, 2017, the following changes occurred in liabilities reported for the General Government:

	Balance Oct. 1, 2016	Additions	Retirements	Adjustment	Balance Sept. 30, 2017	Amount Due Within One Year
General obligation bonds	\$ 26,980	-	(8,012)	-	\$ 18,968	\$ 8,402
Revenue bonds	136,672	-	(4,481)	-	132,191	4,663
Total	<u>\$ 163,652</u>	<u>-</u>	<u>(12,493)</u>	<u>-</u>	<u>\$ 151,159</u>	<u>\$ 13,065</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, 2017

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, 2017.

	<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>\$ 18,968</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
2018	\$ 8,402	856	\$ 9,258
2019	10,566	458	11,024
Total	<u>\$ 18,968</u>	<u>1,314</u>	<u>\$ 20,282</u>

2. Revenue Bonds Payable

The outstanding Revenue Bond Payable is as follows as of September 30, 2017.

	<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>\$ 132,191</u>

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CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

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
2018	\$ 4,663	5,708	\$ 10,371
2019	4,872	5,499	10,371
2020	5,075	5,296	10,371
2021	5,317	5,054	10,371
2022	5,554	4,817	10,371
2023-2027	31,714	20,171	51,885
2028-2032	39,466	12,419	51,885
2033-2036	35,530	3,065	38,595
Total	<u>\$ 132,191</u>	<u>62,029</u>	<u>\$ 194,220</u>

CHANGES IN LONG-TERM LIABILITIES

B. Business-Type Activities

During the year ended September 30, 2017, the following changes occurred in liabilities reported for the Water/Sewer Fund:

	Balance Oct. 1, 2016	Additions	Retirements	Balance Sept. 30, 2017	Amount Due Within One Year
Revenue bonds	\$ 719,030	-	(49,276)	\$ 669,754	\$ 52,289
Capital lease obligation	22,931	-	(5,875)	17,056	6,637
Total	<u>\$ 741,961</u>	<u>-</u>	<u>(55,151)</u>	<u>\$ 686,810</u>	<u>\$ 58,926</u>

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

The following is outstanding debt related to Business-Type Activities as of September 30, 2017.

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.	\$ 57,043
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>612,711</u>
Total Revenue Bonds Payable	<u>\$ 669,754</u>

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

Rural Development Loan Number 91-01

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 37,253	2,707	\$ 39,960
2019	19,790	408	20,198
Total	<u>\$ 57,043</u>	<u>3,115</u>	<u>\$ 60,158</u>

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 4 - LONG-TERM (Continued)

Rural Development Loan Number 93-06

Fiscal year ending September 30	Principal	Interest	Total
2018	\$ 15,036	25,273	\$ 40,309
2019	15,689	24,620	40,309
2020	6,303	24,006	30,309
2021	17,078	23,231	40,309
2022	17,819	22,490	40,309
2023 - 2027	101,328	100,217	201,545
2028 - 2032	125,290	76,255	201,545
2033 - 2037	155,023	46,522	201,545
2038 - 2041	216,188	11,236	227,424
Total	<u>\$ 669,754</u>	<u>353,850</u>	<u>\$ 1,023,604</u>

2. Obligation Under Capital

Amount
Outstanding

On November 18, 2015, the City entered into a lease-purchase agreement with Kansas State Bank in the amount of \$24,750 with an interest rate of 7.319% maturing January, 2020. The lease-purchase agreement qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of sewer equipment. At the end of the lease, the lessee will have the option to purchase the lessor's interest in the property for the purchase option price of \$1. This debt will be retired from the sewer fund.

\$ 17,056

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Fiscal year ending September 30	Principal	Interest	Total
2018	\$ 6,319	925	\$ 7,244
2019	6,797	447	7,244
2020	3,940	36	3,976
Total minimum lease payments	<u>\$ 17,056</u>	<u>1,408</u>	18,464
Less: amount representing interest			(1,408)
Present value of minimum lease payments			<u>\$ 17,056</u>

Included in capital assets is machinery and equipment with costs totaling \$28,740 under capital lease.

CITY OF SHAW, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 5 - CAPITAL OUTLAY DISBURSEMENTS

The City of Shaw had \$90,488 capital outlay disbursements during the current fiscal year.

NOTE 6 - FEDERAL GRANTS

During the fiscal year ended September 30, 2017, the City received the following federal grant funds.

<u>Funding Source</u>	<u>Grant Name</u>	<u>CFDA Number</u>	<u>Amount Expended</u>
MS Dept. of Public Safety	Homeland Security	97.067	\$ 19,500
Mississippi Dev. Authority	Community Dev. Block Grant	14.219	395,725
			<u>\$ 415,225</u>

No single audit in accordance with the Uniform Guidance was required for the year ended September 30, 2017.

NOTE 7 - 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, 2017 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, 2017 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, 2017, 2016, and 2015 were \$39,682, \$41,829, and \$38,940, respectively, equal to the required contributions for each year.

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, 2017, comprehensive annual financial report.

CITY OF SHAW, MISSISSIPPI
Agreed Upon Procedures
Year Ended September 30, 2017



BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

The Honorable Mayor and
Board of Alderpersons
City of Shaw, Mississippi

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor, to the accounting records of the City of Shaw, Mississippi, solely to assist the Office of the State Auditor in evaluating the City of Shaw, Mississippi's, compliance with certain laws and regulations as of September 30, 2017, and for the year then ended. Management is responsible for the City of Shaw, Mississippi's, compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor, State of Mississippi. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances for the banks:

Bank	General Fund	Balance per General Ledger
Planters Bank	General fund operating	\$ 500,847
Planters Bank	Garbage revenue account	4,627
Planters Bank	Delta fest account	11,079
Planters Bank	Petty cash	43
Planters Bank	Accounts payable clearing	(8,408)
Planters Bank	Payroll clearing	1,862
Regions Bank	Certificate of deposit	1,812
	Total General Fund	<u>\$ 511,862</u>

Mayor and Alderpersons
City of Shaw and
Office of the State Auditor
Shaw, Mississippi

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Regions Bank	Water/Sewer Fund	\$ 72,749
Regions Bank	Certificate of deposit	3,040
Regions Bank	Certificate of deposit - bond cushion fund	<u>684</u>
	Total Proprietary Fund	<u>\$ 76,473</u>

2. We physically examined securities held for investment. Securities held in trust were confirmed directly with respective trustees. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972).

<u>Security</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fund</u>	<u>Ledger Cost</u>
Certificate of deposit	0.900%	12/07/17	General	\$ 1,812
Certificate of deposit	0.050%	08/31/18	Water/Sewer	3,040
Certificate of deposit	1.00%	12/07/17	Water/Sewer	<u>684</u>
Total				<u>\$ 5,536</u>

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:

- Verified use of certified county assessment rolls and traced levies to governing body minutes;
- Examined uncollected taxes for proper handling, including tax sales;
- Traced distribution of taxes collected to proper funds; and
- Analyzed increase in taxes for the most recent period for compliance with increase limitations of sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with the prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections for the retirement of general obligation debt was found to be sufficient for payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Miss Code Ann. (1972).

Mayor and Alderpersons
City of Shaw and
Office of the State Auditor
Shaw, Mississippi

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4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated below were traced to the deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Balance per General Ledger</u>
General Municipal Aid	General	\$ 973
Gasoline Tax	General	5,612
Homestead Exemption Reimbursements	General	32,476
Sales Tax Allocation	General	84,624
Nuclear Plant	General	10,241
Liquor Privilege	General	1,800
MS Department of Health	General	2,075
Fire Protection	General	10,929
Community Development Block Grant	Enterprise Fund	<u>395,725</u>
Total		<u>\$ 544,455</u>

5. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of sample items	3
Total dollar values of sample	\$75,700

We have found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

We also noted that checks are signed by the City Clerk and the Mayor. The City Clerk receives the bank statement and reconciles the bank statement. To enhance segregation of duties, someone other than the City Clerk should receive and reconcile the bank statements.

Mayor and Alderpersons
City of Shaw and
Office of the State Auditor
Shaw, Mississippi

6. We inquired about the Municipal Compliance Questionnaire and were informed by the City Clerk that the questionnaire had not been completed and submitted to the proper state agency. However, we found that the City had complied with the budget provisions. Our review of the financial statements noted that the General and Utility Funds had budget overruns for the fiscal year ending September 30, 2017.

We noted that all officials of the City was properly bonded in accordance with the state requirements.

We also noted the following:

- ♦ Some cash accounts were not reconciled to the general ledger at year end and some bank reconciliations were not prepared at all. The City should adopt administrative control procedures to ensure that a bank reconciliation is prepared for all bank accounts on a monthly basis and reconciled to the general ledger.
- ♦ For the current fiscal year, the City's chart of accounts is in compliance with that which is outlined in the State of Mississippi Municipal Audit and Accounting Guide. However, during prior fiscal years, the City was not in compliance.
- ♦ An aging report of utility customers accounts receivable are not being prepared on a monthly basis and reconciled to the general ledger. This report should be prepared so that the Board can regularly review the aging report and be diligent in collection efforts.
- ♦ Utility revenues charges were not recorded the general ledger. It is imperative that all transactions be recorded in the general ledger monthly so that the Board can make informed decisions.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Shaw and Office of the State Auditor, State of Mississippi and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Brown, Egg & Co.
Ridgeland, Mississippi
December 6, 2018

STATE LEGAL COMPLIANCE SECTION



BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor Everett Stanton and
Board of Alderpersons
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, 2017, and have issued our report thereon dated December 6, 2018.

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.

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.

Brown, Ewing & Co.

Ridgeland, Mississippi
December 6, 2018

CITY OF SHAW, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2017

Name	Position	Company	Amount of Bond
Evereth Stanton	Mayor	Travelers Casualty	\$ 50,000
Dave Dorsey	Alderman	Travelers Casualty	50,000
Tony Roach	Alderman	Travelers Casualty	50,000
Roger D. Carter	Alderman	Travelers Casualty	50,000
Janet Roncali	Alderman	Travelers Casualty	50,000
Robert Sanders	Alderman	Travelers Casualty	50,000
Ann Marie Blakes	City Clerk	Travelers Casualty	50,000
Shelonda Frazier	Deputy Clerk	Travelers Casualty	50,000
James Cole	Chief of Police	Travelers Casualty	50,000

CITY OF SHAW, MISSISSIPPI
 Schedule of Investments - All Funds
 For the Year Ended September 30, 2017

<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%	06/12/16	12/10/16	Regions Bank	\$ 1,812
Enterprise Fund	Certificate of Deposit	1.00%	01/01/16	12/31/16	Regions Bank	3,040
Enterprise Fund	Certificate of Deposit	1.00%	06/12/16	12/10/16	Regions Bank	<u>684</u>
Total Investments						\$ <u>5,536</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.

SCHEDULE 3

CITY OF SHAW, MISSISSIPPI
Schedule of Bonds and Notes Payable
September 30, 2017

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Issued</u>	<u>Bond & Notes Retired</u>	<u>Outstanding</u>
<u>General Government:</u>							
General Obligations Bonds:							
Street improvement bonds	4.75%	04/27/1999	04/27/2019	\$ <u>114,200</u>	\$ <u>114,200</u>	\$ <u>8,012</u>	\$ <u>18,968</u>
Revenue Bonds							
Urban renewal revenue bonds	4.375%	12/19/2006	12/19/2036	<u>168,550</u>	<u>168,550</u>	<u>4,481</u>	<u>132,191</u>
Total General Government Debt				<u>282,750</u>	<u>282,750</u>	<u>12,493</u>	<u>151,159</u>
<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	34,865	57,043
Water and Sewer Rehabilitation Bond	4.25%	11/07/2007	11/07/2042	<u>718,000</u>	<u>718,000</u>	<u>14,411</u>	<u>612,711</u>
Total Revenue Bonds				<u>1,248,500</u>	<u>1,248,500</u>	<u>49,276</u>	<u>669,754</u>
Obligation Under Capital Lease:							
Note Payable to Bank - Jetter Pump	7.319%	11/18/2015	01/18/2020	<u>24,750</u>	<u>27,450</u>	<u>5,874</u>	<u>17,056</u>
Total Proprietary Debt				<u>1,273,250</u>	<u>1,275,950</u>	<u>55,150</u>	<u>686,810</u>
Grand Total				\$ <u>1,556,000</u>	\$ <u>1,558,700</u>	\$ <u>67,643</u>	\$ <u>837,969</u>

2018

SCHEDULE 4

CITY OF SHAW, MISSISSIPPI
Schedule of Capital Assets
September 30, 2017

A. All Governmental Funds

	Beginning Balance	Additions	Disposals	Ending Balance
Non Depreciable Capital Assets				
Land	\$ 16,273	-	-	\$ 16,273
Total Non Depreciable Capital Assets	<u>16,273</u>	<u>-</u>	<u>-</u>	<u>16,273</u>
Depreciable Capital Assets				
Building and improvements	268,647	-	-	268,647
Improvement other than buildings	3,581,769	-	-	3,581,769
Machinery and equipment	1,117,768	-	-	1,117,768
Motor vehicles	24,112	24,985	-	49,097
Total Depreciable Capital Assets	<u>4,992,296</u>	<u>24,985</u>	<u>-</u>	<u>5,017,281</u>
Total Governmental Activities Capital Assets	<u>\$ 5,008,569</u>	<u>24,985</u>	<u>-</u>	<u>\$ 5,033,554</u>

B. All Enterprise Funds

	Beginning Balance	Additions	Disposals	Ending Balance
Non Depreciable Capital Assets				
Land and right of ways	\$ 6,000	-	-	\$ 6,000
Construction in progress	54,083	395,725	-	449,808
Total Non Depreciable Capital Assets	<u>60,083</u>	<u>395,725</u>	<u>-</u>	<u>455,808</u>
Depreciable Capital Assets				
Water/sewer system	1,373,131	-	-	1,373,131
Automotive and equipment	14,061	-	-	14,061
Machinery and equipment	36,405	50,715	-	87,120
Total Business-Type Activities Capital Assets	<u>1,423,597</u>	<u>50,715</u>	<u>-</u>	<u>1,474,312</u>
Accumulated Depreciation				
Water/sewer system	7,655	-	-	7,655
Automotive and equipment	14,061	-	-	14,061
Total Accumulated Depreciation	<u>21,716</u>	<u>-</u>	<u>-</u>	<u>21,716</u>
Capital Assets Net Book Value	<u>\$ 1,461,964</u>	<u>446,440</u>	<u>-</u>	<u>\$ 1,908,404</u>

SCHEDULE 5

CITY OF SHAW, MISSISSIPPI
Statement of Legal Debt Limit
September 30, 2017

Authorized Debt Limit Percent Rule

Authorized Debt Limit Percent	15%	20%
2017 Tax Roll Estimation	\$ 4,817,420	\$ 4,817,420
Less: Homestead Exemption	(32,476)	(32,476)
Net 2017 Estimation Tax Roll	<u>\$ 4,784,944</u>	<u>\$ 4,784,944</u>
Assessed Valuation under respective debt limit	\$ 717,742	\$ 956,989
Less: All Bonded Indebtness	820,913	820,913
Deduct: Authorized Exemptions		
General Fund Bonds	<u>132,191</u>	<u>132,191</u>
Water Sewer Revenue Bonds	<u>669,754</u>	<u>669,754</u>
Present debt subject to limitation	<u>18,968</u>	<u>18,968</u>
Margin for further debt under respective debt limits	<u>\$ 698,774</u>	<u>\$ 938,021</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.