

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF VARDAMAN, MISSISSIPPI

**AUDITED FINANCIAL STATEMENT
SEPTEMBER 30, 2020**

TOWN OF VARDAMAN, MISSISSIPPI
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WATKINS, WARD and STAFFORD
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Certified Public Accountants

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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
Town of Vardaman
Vardaman, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements of the Town of Vardaman, Mississippi, as of and for the year ended September 30, 2020, and the related notes to financial statement, as listed in the contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1 of the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective results of operations – cash basis of the governmental funds and the proprietary fund of the Town of Vardaman, Mississippi for the year ended September 30, 2020, in accordance with the cash basis of accounting described in Note 1 of the financial statement.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of Vardaman, Mississippi. The schedule of investments, schedule of capital assets, schedule of long-term debt, and schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the Statement of Cash Receipts and Disbursements.

The schedule of investments, schedule of capital assets, schedule of long-term debt, and schedule of surety bonds for municipal officials are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Statement of Cash Receipts and Disbursements. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement of Cash Receipts and Disbursements or to the Statement of Cash Receipts and Disbursements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of investments, schedule of long-term debt, and schedule of surety bonds for municipal officials are fairly stated, in all material respects, in relation to the Statement of Cash Receipts and Disbursements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021 on our consideration of the Town of Vardaman, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this 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 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 the Town of Vardaman, Mississippi's internal control over financial reporting and compliance.

Houston, Mississippi
October 12, 2021

Watkins Ward and Stafford, P.C.

BASIC FINANCIAL STATEMENT

TOWN OF VARDAMAN, MISSISSIPPI
Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2020

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES
	GENERAL FUNDS	DEBT SERVICE	TOTALS	WATER FUND
RECEIPTS				
Property Taxes	\$ 136,539	12,047	148,586	-
Penalties & Int - Delinq Tax	2,850	251	3,101	-
Licenses & Permits	1,408	-	1,408	-
Utility Franchise Charges	20,007	-	20,007	-
Intergovernmental Receipts	65,503	-	65,503	398,220
State Shared Revenue	182,359	1,342	183,701	-
County Grants & Shared Rec.	39,893	-	39,893	-
Fines & Forfeits	5,489	-	5,489	-
Interest Income	2,316	390	2,706	962
Miscellaneous Revenues	16,764	-	16,764	19,412
Charges for Governmental Services				
Garbage Fees	84,104	-	84,104	-
Water and Sewer	-	-	-	319,578
Sale of Surplus Property	1,300	-	1,300	-
Transfers	-	16,583	16,583	22,371
TOTAL RECEIPTS	558,532	30,613	589,145	760,544
DISBURSEMENTS				
General Government	177,805	-	177,805	-
Public Safety	138,529	-	138,529	-
Highway & Streets	29,897	-	29,897	-
Sanitation	76,887	-	76,887	22,572
Culture and Recreation	58,171	-	58,171	-
Water & Sewer Utility	-	-	-	240,175
Interest Paid	972	8,601	9,573	122
TOTAL DISBURSEMENTS	\$ 482,261	8,601	490,862	262,870
Excess of receipts over disbursements	76,271	22,012	98,284	497,674
OTHER FINANCING SOURCES (USES)				
Debt repaid	(12,380)	(17,761)	(30,140)	(6,170)
Capital Outlays	(9,049)	-	(9,049)	(503,906)
Interfund loans and transfers	(38,954)	-	(38,954)	-
Total other financing sources (uses)	(60,383)	(17,761)	(78,144)	(510,076)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	15,889	4,251	20,140	(12,401)
CASH BASIS FUND BALANCE -				
Beginning of Year	147,149	24,119	171,268	84,384
CASH BASIS FUND BALANCE -				
End of Year	\$ 163,038	28,370	191,408	71,983

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

TOWN OF VARDAMAN, MISSISSIPPI
Notes to Financial Statement

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The Town of Vardaman, Mississippi, was incorporated in 1904. The Town operates under a Mayor-Board of Aldermen form of government and provides all of the rights and privileges provided by statute for municipalities.

b. Fund Accounting

The accounts of the Town of Vardaman, Mississippi are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into fund types and categories as follows:

Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It is used to account for all financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Proprietary Fund

Enterprise Fund – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Proprietary Fund is the Water Fund. It accounts for the activities of providing water and sewer services to citizens of the Town.

c. Basis of Accounting

The financial statement is prepared on a cash basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received (cash receipts) rather than when earned and certain expenses are recognized when paid (cash disbursements) rather than when the obligation is incurred.

TOWN OF VARDAMAN, MISSISSIPPI
Notes to Financial Statement

Note 1: Summary of Significant Accounting Policies (Continued)

d. Use of Estimates

The preparation of the financial statement in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

f. Budgets and Budgetary Accounting

The Town of Vardaman, Mississippi follows these procedures in establishing the budgetary data:

1. Prior to September 15, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary Funds.
2. Public notice is given of the Town of Vardaman, Mississippi's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then the budget is approved prior to September 30.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for both the General and Proprietary Fund.
6. Appropriations lapse at the end of each fiscal year.

g. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Accounts

The obligation for compensated absences is determined to be a long term debt. Town of Vardaman, Mississippi's policy on annual leave is it must be taken within the year accrued based on a calendar year. The compensated absences balance at September 30 is immaterial; therefore it is not recorded in the Schedule of Long-Term Debt.

TOWN OF VARDAMAN, MISSISSIPPI
Notes to Financial Statement

Note 2: Cash and Other Deposits

At the end of the year, the Town of Vardaman, Mississippi's carrying amount of deposits was \$263,391, and the bank balance was \$278,739. 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 Miss. Code Ann. (1972). Under this program, the Town of Vardaman, Mississippi'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 Deposit Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the Town of Vardaman, Mississippi will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town of Vardaman, Mississippi does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town of Vardaman, Mississippi. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town of Vardaman, Mississippi. As of September 30, 2020, none of the Town of Vardaman, Mississippi's bank balance of \$278,738.78 was exposed to custodial risk.

Note 3: Interfund Transfers

Interfund transfers during the year were as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Water Fund
Transfers In	\$ -	\$ -	\$ 16,583	\$ 22,371
Transfers Out	(38,954)	-	-	-
	\$ (38,954)	\$ -	\$ 16,583	\$ 22,371

The above interfund transfer was a transfer from the General Fund to the Debt Service Fund and Water Fund.

Note 4: Report Classifications

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

TOWN OF VARDAMAN, MISSISSIPPI
Notes to Financial Statement

Note 5: Property Taxes

The Town of Vardaman, Mississippi uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year, and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1. The millage rate for the Town of Vardaman, Mississippi for the fiscal year ended September 30, 2020 was 37 mills for general purposes.

Note 6: Risk Management

The Town of Vardaman, Mississippi is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town of Vardaman, Mississippi purchases coverage of risks of loss related to theft of, damage to and destruction of assets from commercial insurance carriers.

Risk of loss related to workers' compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The Town of Vardaman, Mississippi pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability.

Under *GASB Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statement and that the amount of the loss can be reasonably estimated. The Town of Vardaman, Mississippi has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2020; therefore, no liability has been accrued at this time.

Note 8: Contingent Liabilities

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. Elective services have been postponed until the situation improves, which will decrease the town's revenue significantly. This pandemic has also caused a disruption in the supply chain and management is exhausting every available option to procure essential supplies. While the Town expects the COVID-19 crisis to negatively impact its operating results, the related financial impact and duration cannot be reasonable estimated at this time.

Note 7: Subsequent Events

Events that occur after the Statement of Cash Receipts and Disbursements date but before the financial statement is 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 Cash Receipts and Disbursements date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the Statement of Cash

TOWN OF VARDAMAN, MISSISSIPPI
Notes to Financial Statement

Note 7: Subsequent Events (continued)

Receipts and Disbursements date require disclosure in the accompanying notes. Management of the Town of Vardaman, Mississippi evaluated the activity of the Town through October 12, the date the financial statement was approved by the Town of Vardaman, Mississippi's management and thereby available to be released, and determined that there were no subsequent events that should be noted in the financial statement.

SUPPLEMENTAL INFORMATION

TOWN OF VARDAMAN, MISSISSIPPI
Schedule of Investments - All Funds
09/30/2020

	<u>Deposit Amount</u>
Certificate of Deposit with BancorpSouth, maturing 08/23/24, rate 1.5%	\$ <u>20,659</u>
Total	\$ <u><u>20,659</u></u>
Fund Recap:	
Debt Service Fund	\$ <u>20,659</u>
Total	\$ <u><u>20,659</u></u>

TOWN OF VARDAMAN, MISSISSIPPI
Schedule of Capital Assets
September 30, 2020

General Fund:

	Balance 09/30/2019	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2020
Land & Buildings	\$ 35,893	-	-	\$ 35,893
Machinery & Equipment	349,276	88,600	-	437,876
Vehicles	42,341	-	-	42,341
	<u>\$ 427,510</u>	<u>88,600</u>	<u>-</u>	<u>\$ 516,110</u>

Proprietary Fund:

	Balance 09/30/2019	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2020
Water Distribution System	\$ 2,200,322	37,486	-	\$ 2,237,808
Machinery & Equipment	86,300	7,500	-	93,800
	<u>\$ 2,286,622</u>	<u>44,986</u>	<u>-</u>	<u>\$ 2,331,608</u>

TOWN OF VARDAMAN, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2020

	<u>Balance Outstanding 09/30/2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding 09/30/2020</u>
Note Payable:				
Three Rivers Planning Capital Improvement Loan	10,558		(9,041)	1,517
BancorpSouth Sportsplex Operations	14,513		(3,339)	11,174
USDA Rural Development Waterline Construction	272,975		(11,296)	261,679
State of Mississippi Capital Improvement Loan	6,465		(6,465)	-
BancorpSouth BBI Loan	<u>6,170</u>		<u>(6,170)</u>	<u>-</u>
Total Notes Payable	<u>\$ 310,681</u>	<u>-</u>	<u>(36,310)</u>	<u>\$ 274,371</u>

TOWN OF VARDAMAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2020

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
James M Casey	Mayor	Western Surety	\$ 50,000
Robert McGregor	Alderman	Western Surety	\$ 15,000
Jeff Clements	Alderman	Western Surety	\$ 15,000
Shane Langford	Alderman	Western Surety	\$ 15,000
Wilbur Holmes	Alderman	Western Surety	\$ 15,000
Peggy Skinner	Alderman	Western Surety	\$ 15,000
Kenneth Scott	Police Chief	Western Surety	\$ 50,000
Tiffany Fugett	City Clerk	Western Surety	\$ 50,000
Wendy Scott	Deputy Clerk	Western Surety	\$ 50,000

SPECIAL REPORTS



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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statement
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Board of Aldermen
Town of Vardaman
Vardaman, 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 Statement of Cash Receipts and Disbursements of the Town of Vardaman, Mississippi as of and for the year ended September 30, 2020 and the related notes to financial statement and have issued our report thereon dated October 12, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Vardaman, Mississippi'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 Town of Vardaman, Mississippi's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Mississippi
October 12, 2021

Watkins Ward and Stafford, P.C.



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**Independent Auditors' Report on Compliance
With State Laws and Regulations**

Honorable Mayor and Board of Aldermen
Town of Vardaman
Vardaman, Mississippi

We have audited the basic financial statement of the Town of Vardaman, Mississippi as of and for the year ended September 30, 2020 and have issued our report thereon dated October 12, 2021. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government 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 those procedures and our audit of the basic financial statement disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of Vardaman, Mississippi's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Houston, Mississippi
October 12, 2021

Watkins Ward and Stafford, P.C.