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# **Town of Shannon, Mississippi**

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## **Financial Statements For the year ended September 30, 2020**

**TOWN OF SHANNON, MISSISSIPPI**  
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**September 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
Town of Shannon, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements of the Town of Shannon, Mississippi and as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Town's basic financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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. 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Statement of Cash Receipts and Disbursements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

As described more fully in Note 1, the Town of Shannon, Mississippi has prepared these financial statements using accounting practices prescribed or permitted by the Mississippi Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these

regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Shannon, Mississippi as of September 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Shannon, Mississippi has not presented management's discussion and analysis and budgetary comparison schedules that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Shannon, Mississippi, as of September 30, 2020 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the Town of Shannon, Mississippi taken as a whole. Supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 6, 2021, on our consideration of the Town of Shannon, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
August 6, 2021

## BASIC FINANCIAL STATEMENTS



**TOWN OF SHANNON, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**For the year ended September 30, 2020**

	Governmental Activities				Business-Type Activities			Total Government- Wide
	General	Special Revenue	Capital Projects	Total	Water and Sewer System	Gas System	Total	
<b>RECEIPTS:</b>								
Ad Valorem Taxes:								
Property Taxes	\$ 146,641	\$ -	\$ -	\$ 146,641	\$ -	\$ -	\$ -	\$ 146,641
Auto Taxes	40,535	-	-	40,535	-	-	-	40,535
Intergovernmental Revenues:								
State Shared Revenues:								
General Municipal Aid	874	-	-	874	-	-	-	874
Sales Tax	126,159	-	-	126,159	-	-	-	126,159
Modernization Use Tax	30,136	-	-	30,136	-	-	-	30,136
Liquor Privilege Tax	1,800	-	-	1,800	-	-	-	1,800
Gasoline Tax	5,149	-	-	5,149	-	-	-	5,149
TVA In Lieu of Tax	15,471	-	-	15,471	-	-	-	15,471
Homestead Exemption								
Reimbursement	12,480	-	-	12,480	-	-	-	12,480
Fire Protection	-	10,576	-	10,576	-	-	-	10,576
Other Intergovernmental Revenues:								
County Fire Allocation	-	31,070	-	31,070	-	-	-	31,070
Charges for Services					429,148	291,432	720,580	720,580
Fines and Forfeits:								
Police Fines	54,557	-	-	54,557	-	-	-	54,557
Miscellaneous Receipts:								
Customer Deposits	-	-	-	-	957	2,075	3,032	3,032
Franchise Tax on Utilities	78,684	-	-	78,684	-	-	-	78,684
Privilege Tax Revenue	5,540	-	-	5,540	-	-	-	5,540
Interest Income	1,272	64	-	1,336	470	1,067	1,537	2,873
Park and Recreation Fees	50	-	-	50	-	-	-	50
Other Income	12,457	-	-	12,457	-	-	-	12,457
Total Receipts	531,805	41,710	-	573,515	430,575	294,574	725,149	1,298,664

**TOWN OF SHANNON, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**For the year ended September 30, 2020**

	Governmental Activities				Business-Type Activities			Total Government-Wide
	General	Special Revenue	Capital Projects	Total	Water and Sewer System	Gas System	Total	
<b>DISBURSEMENTS:</b>								
General Administration and Finance	\$ 167,544	\$ -	\$ -	\$ 167,544	\$ -	\$ -	\$ -	\$ 167,544
Public Safety:								
Police	329,874	-	-	329,874	-	-	-	329,874
Fire	21,326	6,190	-	27,516	-	-	-	27,516
Public Works	42,542	-	-	42,542	-	-	-	42,542
Park and Recreation	6,506	-	-	6,506	-	-	-	6,506
Business-Type Operating Expenses		-	-		327,682	320,950	648,632	648,632
Interest Expense	7,974	-	-	7,974	4,134	13,925	18,059	26,033
Total Disbursements	575,766	6,190	-	581,956	331,816	334,875	666,691	1,248,647
Excess (Deficiency) of Receipts Over Disbursements	(43,961)	35,520	-	(8,441)	98,759	(40,301)	58,458	50,017
<b>OTHER FINANCING SOURCES (USES):</b>								
Loans Repaid:								
Principal	(27,000)	-	-	(27,000)	(7,189)	(12,697)	(19,886)	(46,886)
Capital Outlay	(3,913)	(20,381)	-	(24,294)	(1,468)	(734)	(2,202)	(26,496)
Transfers	68,376	-	-	68,376	(45,584)	(22,792)	(68,376)	-
Total Other Financing Sources (Uses)	37,463	(20,381)	-	17,082	(54,241)	(36,223)	(90,464)	(73,382)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(6,498)	15,139	-	8,641	44,518	(76,524)	(32,006)	(23,365)
Cash Basis Fund Balance - Beginning	281,054	156,094	1,630	438,778	450,667	537,278	987,945	1,426,723
Cash Basis Fund Balance - Ending	\$ 274,556	\$ 171,233	\$ 1,630	\$ 447,419	\$ 495,185	\$ 460,754	\$ 955,939	\$ 1,403,358

See notes to the financial statements.

**TOWN OF SHANNON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information**

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

**Basis of Accounting**

The Town of Shannon prepares its financial statements on the cash receipts and disbursements basis of accounting as permitted by the Mississippi Office of the State Auditor. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are recognized when the funds are disbursed rather than when the liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Under this basis of accounting, the Town has elected to omit substantially all government-wide financial statements, fund financial statements, management discussion and analysis, required supplemental information, and other supplemental information required under generally accepted accounting principles.

**Government-Wide Financial Statements**

The statement of cash receipts and disbursements displays information on all non-fiduciary activities of the primary government. The statement distinguishes between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of cash receipts and disbursements presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**TOWN OF SHANNON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Statement Presentation**

The Town reports the following governmental funds:

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

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

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

The Town reports the following proprietary funds:

*Proprietary Funds* – Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. Proprietary funds include the Water and Sewer Fund and the Gas Fund.

**Cash and Cash Equivalents**

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

**Revenues and Expenditures/Expenses**

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

**TOWN OF SHANNON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 2 - CASH AND OTHER DEPOSITS**

**Deposits**

The carrying amount of the Town's total deposits with financial institutions at September 30, 2020, was \$1,403,358, and the bank balance was \$1,465,935. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

*Custodial credit risk:* In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi 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 (FDIC).

**Investments**

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the Town's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

*Credit risk and concentration of credit risk:* The Town is allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the Town's policy to limit its investments to those allowed by the State statute. The Town complies with the State statute regarding investments; as a result, concentration risk is limited.

*Custodial credit risk:* For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the Town's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The Town's investments are insured or registered, or are securities held by the Town or its agent in the Town's name.

**TOWN OF SHANNON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 3 - PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received. The Town bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the Town.

**NOTE 4 - LONG TERM DEBT**

The annual requirements to amortize all debt outstanding as of September 30, 2020, including interest payments of \$192,570 are as follows:

Fiscal Year Ended September 30,	MDA Loans	Trustmark Certificate of Participation	FHA Loans	Interest	Total
2021	\$ 7,585	\$ 28,000	\$ 12,923	\$ 25,095	\$ 73,603
2022	7,815	29,000	13,551	23,317	73,683
2023	8,053	31,000	14,208	21,453	74,714
2024	8,298	32,000	14,898	19,501	74,697
2025	8,550	34,000	15,621	17,460	75,631
2026-2030	46,892	72,000	90,247	59,273	268,412
2031-2035	<u>43,633</u>	<u>-</u>	<u>119,003</u>	<u>26,471</u>	<u>189,107</u>
	<u>\$ 130,826</u>	<u>\$ 226,000</u>	<u>\$ 280,451</u>	<u>\$ 192,570</u>	<u>\$ 829,847</u>

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

Plan Description - The Town of Shannon contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1(800) 444 PERS.

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and the Town of Shannon is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Shannon's contributions to PERS for the years ending September 30, 2020, 2019, and 2018 were \$67,640, \$63,619, and \$58,155, respectively, equal to the required contributions for the year.

**TOWN OF SHANNON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 6 - RISK MANAGEMENT**

The Town of Shannon is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the Town retains the risk of loss.

Risk of loss related to workers compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 7 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through August 6, 2021, the date on which the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION



**TOWN OF SHANNON, MISSISSIPPI**  
**SCHEDULE OF INVESTMENTS**  
**September 30, 2020**

Ownership	Type of Investment	Interest Rate	Acquisition Date	Maturity Date	Other Information	Investment Cost/Value
<b>GOVERNMENTAL FUNDS:</b>						
General Fund	Certificate of Deposit	0.25%	12/26/19	12/26/20	Renasant Bank	\$ 21,651
General Fund	Certificate of Deposit	0.59%	10/14/19	10/14/20	Renasant Bank	<u>143,962</u>
Total Investments - Governmental Funds						<u>165,613</u>
<b>PROPRIETARY FUNDS:</b>						
Water Fund	Certificate of Deposit	0.25%	12/26/19	12/26/20	Renasant Bank	106,464
Gas Fund	Certificate of Deposit	0.25%	12/26/19	12/26/20	Renasant Bank	<u>330,596</u>
Total Investments - Proprietary Funds						<u>437,060</u>
Total Investments - All Funds						\$ <u><u>602,673</u></u>

**TOWN OF SHANNON, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS**  
**September 30, 2020**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Kizzy Davis	City Clerk	St. Paul Surety / Travelers	\$ 75,000
Satoria Isby	Deputy City and Court Clerk	St. Paul Surety / Travelers	125,000
Mary Lee Helms	Utility Clerk	St. Paul Surety / Travelers	75,000
Desiree Kershner	Chief of Police	Travelers	50,000
S. "Bo" Westmoreland	Park & Rec. Director	Travelers	50,000
Ronnie Hallmark	Mayor	MS Municipal Bond Program	50,000
Debrah Johnson	Alderwomen	MS Municipal Bond Program	25,000
Lucy Blair	Alderwomen	MS Municipal Bond Program	25,000
Bryant Thompson	Alderman	MS Municipal Bond Program	25,000
Carl Trice	Alderman	MS Municipal Bond Program	25,000
Oliver Lyles	Alderman	MS Municipal Bond Program	25,000

**TOWN OF SHANNON, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the year ended September 30, 2020**

<u>DEFINITION AND PURPOSE</u>	<u>Balance Outstanding Oct. 1, 2019</u>	<u>Transactions During The Fiscal Year</u>		<u>Balance Outstanding Sept. 30, 2020</u>
		<u>(Borrowed)</u>	<u>Redeemed</u>	
Notes Payable:				
Trustmark Cert. of Part. - Town Hall Loan	\$ 253,000	\$ 0	\$ 27,000	\$ 226,000
FHA - Natural Gas System Bond	293,148	0	12,697	280,451
MDA - Capital Improvements Loan	<u>138,015</u>	<u>0</u>	<u>7,189</u>	<u>130,826</u>
TOTAL	<u>\$ 684,163</u>	<u>\$ 0</u>	<u>\$ 46,886</u>	<u>\$ 637,277</u>

## REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen  
City of Shannon, 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 Shannon, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Shannon, Mississippi's basic financial statements and have issued our report thereon dated August 6, 2021.

**Internal Control over Financial Reporting**

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

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

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 deficiency described in the accompanying schedule of findings and responses to be material weaknesses. [Finding No. 2020-02].

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. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency. [Finding No. 2020-01].

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Shannon, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item [Finding No. 2020-02].

## **Town of Shannon, Mississippi's Response to Findings**

Town of Shannon, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Shannon, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
August 6, 2021



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Mayor and Board of Alderman  
Town of Shannon, Mississippi

We have audited the financial statement of the Town of Shannon, Mississippi, as of and for the year ended September 30, 2020, and have issued our report thereon dated August 6, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

As required by the State legal compliance audit program prescribed by the 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 the following material instance of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as finding 2020-02 on page 16. This finding was also listed on the Schedule of Findings and Responses in the prior year.

This report is intended for the information and use of management, federal awarding agencies, the Office of the State Auditor, and pass-through entities 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.

*Jarrell Group, PLLC*

Jarrell Group, PLLC  
Tupelo, Mississippi  
August 6, 2021

**TOWN OF SHANNON, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2020**

**Finding No. 2020-01 Internal Control (Significant Deficiency)**

**Criteria:** The Town is to establish an internal control structure to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

**Cause of Condition:** The size of the Town's work force does not permit proper segregation of duties in various areas of the accounting system. The Town has only a few employees which makes proper segregation of duties impractical.

**Recommendation:** The Board should remain as involved as possible in oversight responsibility.

**Response:** The Board will attempt to closely monitor the activities of the Town.

**Finding No. 2020-02 Fixed Assets (Material Weakness and Noncompliance)**

**Criteria:** The Town is required, by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness, and valuations of its fixed assets.

**Cause of Condition:** The Town did not have a complete fixed asset listing.

**Recommendation:** The Town should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. The Town should also prepare a complete fixed asset listing; substantiating the valuation, location, description and inventory tag numbers of its fixed assets. The Town should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

**Response:** The Town will conduct year-end inventory observations of their fixed assets. Also, the Town will continue to develop a complete listing of all fixed assets to comply with State statutes.