

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 SOSO, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**TOWN OF SOSO, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Town's Proportionate Share of the Net Pension Liability-Unaudited	28
Schedule of the Town's Contributions-Unaudited	29
Notes to the Required Supplementary Information-Unaudited	30
SUPPLEMENTARY INFORMATION	
Schedule of Surety Bonds of Municipal Officials and Others-Unaudited	34
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	36
INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	38
SCHEDULE OF FINDINGS AND REPOSSES	40

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the
Board of Aldermen, and Town Clerk
Town of Soso, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Soso, Mississippi, as of and for the year ended September 30, 2020, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the following section, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Basis for Adverse Opinion on the Governmental Activities

As discussed in Note 3 to the financial statements, management has not recorded all assets in governmental activities. Accounting principles generally accepted in the United States of America require that assets be capitalized, which would increase the assets and net position of the governmental activities. The amount by which this departure would affect the assets and net position of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Governmental Activities” paragraph, the financial statements referred to above do not present fairly, the financial position of the governmental activities of Town of Soso, Mississippi, as of September 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Soso, Mississippi, as of September 30, 2020, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Town’s Proportionate Share of the Net Pension Liability, the Schedule of the Town’s Contributions, and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Town of Soso, Mississippi, has omitted the Management’s Discussion and Analysis, the Budgetary Comparison Schedule and the corresponding notes, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Soso, Mississippi's basic financial statements. The Schedule of Surety Bonds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the Town of Soso, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Soso, Mississippi's internal control over financial reporting and compliance.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
March 31, 2022

FINANCIAL STATEMENTS

Town of Soso, Mississippi
Statement of Net Position
September 30, 2020

EXHIBIT 1

Assets	Primary Government	
	Governmental	
	Activities	Total
Current Assets		
Cash and Cash Equivalents	\$ 50,972	\$ 50,972
Certificates of Deposit	94,906	94,906
Sales Tax Receivable	19,869	19,869
Franchise Tax Receivable	3,026	3,026
Other Receivable	9,556	9,556
Receivables (net of uncollectibles):		
Fines	6,316	6,316
Prepaid Expenses	1,708	1,708
Total Current Assets	186,353	186,353
Capital Assets		
Land	68,600	68,600
Buildings	91,716	91,716
Furniture and Equipment	139,647	139,647
Mobile Equipment	28,527	28,527
Infrastructure	587,311	587,311
Less: Accumulated Depreciation	(390,963)	(390,963)
Net Capital Assets	524,838	524,838
Total Assets	711,191	711,191
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	10,009	10,009
Total Deferred Outflows of Resources	10,009	10,009
Total Assets and Deferred Outflows of Resources	\$ 721,200	\$ 721,200

Town of Soso, Mississippi
Statement of Net Position
September 30, 2020

Page 2

EXHIBIT 1

	<u>Primary Government</u>	
	<u>Governmental</u>	
Liabilities	Activities	Total
Current Liabilities		
Other Accrued Liabilities	\$ 10,335	\$ 10,335
Total Current Liabilities	<u>10,335</u>	<u>10,335</u>
Non-Current Liabilities		
Net Pension Liability	138,416	138,416
Total Liabilities	<u>148,751</u>	<u>148,751</u>
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	2,630	2,630
Total Deferred Inflows of Resources	<u>2,630</u>	<u>2,630</u>
Total Liabilities and Deferred Inflows of Resources	<u>151,381</u>	<u>151,381</u>
Net Position		
Net Investment in Capital Assets	524,838	524,838
Unrestricted	44,981	44,981
Total Net Position	<u>569,819</u>	<u>569,819</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 721,200</u>	<u>\$ 721,200</u>

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

Town of Soso, Mississippi
Statement of Activities
For the Year Ended September 30, 2020

EXHIBIT 2

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Total
		Charges for Services	Operating Grants	Capital Grants		
Governmental Activities:						
General Government	\$ (102,999)	\$ -	\$ -	\$ -	\$ (102,999)	\$ (102,999)
Public Safety	(51,825)	1,858	-	-	(49,967)	(49,967)
Pension Expense	(15,254)	-	-	-	(15,254)	(15,254)
Total Governmental Activities	<u>\$ (170,078)</u>	<u>\$ 1,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(168,220)</u>	<u>(168,220)</u>
General Revenues:						
Franchise Tax					14,279	14,279
Gasoline tax					1,148	1,148
Sales Tax					122,317	122,317
Licenses and Permits					2,355	2,355
Intergovernmental, Not Restricted to Specific Functions/Programs					9,759	9,759
Other Revenue					19,969	19,969
Total General Revenues					<u>169,827</u>	<u>169,827</u>
Change in Net Position					1,607	1,607
Net Position- Beginning					568,212	568,212
Net Position-Ending					<u>\$ 569,819</u>	<u>\$ 569,819</u>

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

Town of Soso, Mississippi
Balance Sheet
Governmental Funds
September 30, 2020

	EXHIBIT 3		
	General Fund	Total Governmental Funds	
ASSETS			
Cash and Cash Equivalents	\$ 50,972	\$ 50,972	
Certificates of Deposit	94,906	94,906	
Sales Tax Receivable	19,869	19,869	
Franchise Tax Receivable	3,026	3,026	
Fines Receivable - Net	6,316	6,316	
Intergovernmental Receivable	9,556	9,556	
Prepaid Expenses	1,708	1,708	
Total Assets	<u>\$ 186,353</u>	<u>\$ 186,353</u>	
LIABILITIES			
Other Accrued Liabilities	\$ 10,335	\$ 10,335	
Total Liabilities	<u>10,335</u>	<u>10,335</u>	
Deferred Inflows of Resources			
Unearned Revenue-Fines	6,316	6,316	
Total Deferred Inflows of Resources	<u>6,316</u>	<u>6,316</u>	
Total Liabilities and Deferred Inflows of Resources	<u>16,651</u>	<u>16,651</u>	
FUND BALANCE:			
Unassigned	169,702	169,702	
Total Fund Balance	<u>169,702</u>	<u>169,702</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 186,353</u>	<u>\$ 186,353</u>	

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

Town of Soso, Mississippi
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
September 30, 2020

EXHIBIT 3.1

Fund Balance - Total Governmental Funds	\$	169,702
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Governmental Capital Assets, Net		524,838
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Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.		6,316
--	--	-------

Deferred outflows related to pension liability are applicable to future periods, and, therefore, are not reported in the funds.		10,009
--	--	--------

Deferred inflows related to pension liability are applicable to future periods, and, therefore, are not reported in the funds.		(2,630)
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Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds.		(138,416)
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Net Position of Governmental Activities	\$	569,819
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The notes to the financial statements are an integral part of this statement.

Town of Soso, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2020

EXHIBIT 4

	General Fund	Total Governmental Funds
REVENUES		
Licenses and Permits	\$ 2,355	\$ 2,355
Franchise Taxes	14,279	14,279
Intergovernmental	133,224	133,224
Fines and Forfeitures	1,839	1,839
Miscellaneous	19,969	19,969
Total Revenues	171,666	171,666
EXPENDITURES		
General Government	91,010	91,010
Public Safety	47,540	47,540
Total Expenditures	138,550	138,550
Net Change in Fund Balance	33,116	33,116
Fund Balance - Beginning	136,586	136,586
Fund Balance - Ending	\$ 169,702	\$ 169,702

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

Town of Soso, Mississippi
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2020

EXHIBIT 4.1

Net Change in Fund Balance - Total Governmental Funds	\$	33,116
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Depreciation Expense		(18,968)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.		19
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Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period		(15,254)
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Recording of contributions made subsequent to the measurement date		1,865
--	--	-------

Recording of the reduction in pension expense for amounts included in net pension liability		829
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Change in Net Position of Governmental Activities	\$	1,607
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The notes to the financial statements are an integral part of this statement.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a Mayor/Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, culture and recreation, public improvement, and general administrative services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to local governmental units, (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Town's accounting policies are described below.

A. Government-wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods and services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing, fines and forfeitures, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is a summary of the Town's funds by fund type:

GOVERNMENTAL FUNDS: Governmental Funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's major governmental fund:

- The *General Fund* is the primary operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PROPRIETARY FUNDS: The Town does not have any proprietary funds for the fiscal year ended September 30, 2020.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Capital Assets

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost.

Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002 has not been recorded.

Depreciation has been provided for governmental activities using the straight-line method over the following estimated useful lives:

Building, Improvements, & Infrastructure	30-40 Years
Machinery & Equipment	5 Years

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Allowances for Doubtful Accounts

The Town uses the reserve method for writing off uncollectible accounts. This is done at the end of each year after reviewing accounts. The fines receivable allowance for doubtful accounts was \$120,013 at September 30, 2020.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Deferred Outflows of Resources

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

J. Compensated Absences

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

K. Deferred Inflows of Resources

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

L. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation. There was no restricted net position at September 30, 2020.

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

The Town does not have any amounts that are classified as restricted net position at September 30, 2020.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Equity Classifications-Continued

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the Town:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. There was no restricted fund balance at September 30, 2020.

Assigned fund balance includes amounts that are constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balances are created by the Board of supervisors pursuant to authorization established by the policy adopted by the Town. There was no assigned fund balance at September 30, 2020.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the Town's general policy to use the restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Town's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2020.

N. Mississippi Municipal Compliance Questionnaire

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

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 2 – CASH AND INVESTMENTS

The Town deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 allows municipalities to invest their surplus funds. The Town may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts.

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The Town's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$145,878 and a bank balance of \$147,678 at September 30, 2020, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning				Ending
	Balance	Increases	Decreases	Adjustments	Balance
Governmental Activities:					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 68,600	\$ -	\$ -	\$ -	\$ 68,600
<i><u>Capital assets being depreciated:</u></i>					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	139,647	-	-	-	139,647
Mobile Equipment	28,527	-	-	-	28,527
Infrastructure	587,311	-	-	-	587,311
Total capital assets being depreciated	847,201	-	-	-	847,201
Less accumulated depreciation for:					
Buildings	91,716	-	-	-	91,716
Furniture and Equipment	134,290	4,285	-	-	138,575
Mobile Equipment	28,527	-	-	-	28,527
Infrastructure	117,462	14,683	-	-	132,145
Total accumulated depreciation	371,995	18,968	-	-	390,963
Total depreciable capital assets, net	475,206	(18,968)	-	-	456,238
Governmental activities capital assets, net	\$ 543,806	\$ (18,968)	\$ -	\$ -	\$ 524,838

Depreciation expense was charged to the following functions:

Governmental Activities	Amount
General Government	\$ 14,683
Public Safety	4,285
Total Governmental Activities Depreciation Expense	<u>\$ 18,968</u>

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

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 4 – RISK MANAGEMENT

The Town has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 5 –PENSION PLAN OBLIGATIONS

General Information about the Pension plan

Plan Description

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

Benefits Provided

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

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

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 –PENSION PLAN OBLIGATIONS-Continued

Contributions

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2020, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of their annual pay, while the Town's required contribution rate was 15.75 percent of annual covered payroll. The Town of Soso's employer contributions to PERS for the years ending September 30, 2020, 2019, and 2018 were \$7,968, \$8,340, and \$7,993 (employer share). The contributions for each year met the required contributions.

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

At September 30, 2020, the Town of Soso reported a liability of \$138,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date, the Town of Soso's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2020, relative to the total employer contributions of participating employers to PERS. At June 30, 2020, the Town of Soso's proportion was .000715% which was .000083% less than its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Town of Soso, recognized pension expense of \$15,254. At September 30, 2020, the Town of Soso reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 986	\$ 133
Net difference between projected and actual earnings on pension plan investments	6,275	-
Changes in assumptions	883	17
Change in the proportion and differences between the Town's contributions and proportionate share of contributions	-	2,480
Contributions subsequent to the measurement date	1,865	-
	<u>\$ 10,009</u>	<u>\$ 2,630</u>

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 –PENSION PLAN OBLIGATIONS-Continued

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

At September 30, 2020, the Town of Soso reported \$1,865 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ 1,295
2022	1,597
2023	1,657
2024	965
	<u>\$ 5,514</u>

Actuarial Assumptions

The total pension liability used in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases	3.00%-18.25%, average, including inflation
Investment rate of return	7.75%, net of position of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of the male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% from ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 –PENSION PLAN OBLIGATIONS-Continued

Actuarial Assumptions-Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global equity	12.00	5.00
Fixed income	20.00	1.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	<u>1.00</u>	0.25
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 – PENSION PLAN OBLIGATIONS-Continued

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 179,162	\$ 138,416	\$ 104,784

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At September 30, 2020, the Town of Soso has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2020.

NOTE 6 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of \$44,981 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,865 resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$8,144 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years. The \$2,630 balance of the deferred inflow of resources relate to pension at September 30, 2020, will be recognized in pension expense over the next three years.

NOTE 7 – FEDERAL AND STATE GRANTS

In normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authorities. The purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Town of Soso, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 8 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Town of Soso, Mississippi evaluated the activity of the Town through March 31, 2022, and determined that the following subsequent event required disclosure in the financial statements:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Soso, Mississippi
Schedule of the Town's Proportionate Share
of the Net Pension Liability-Unaudited
Last 10 Fiscal Years*
For the Years Ended September 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability liability (asset)	0.000715%	0.000798%	0.00082%	.001%	.001%	.001%	.001%
Employer's proportionate share of the net pension liability (asset)	\$ 138,416	\$ 140,384	\$ 136,390	\$ 166,234	\$ 178,625	\$ 154,580	\$ 121,382
Employer's covered payroll	\$ 45,794	\$ 51,637	\$ 50,750	\$ 55,419	\$ 76,006	\$ 78,883	\$ 79,537
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	302.26%	271.87%	268.75%	299.96%	235.01%	195.96%	152.61%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the Town has only presented information for the years in which information is available.

See the Notes to the Required Supplementary Information.

Town of Soso, Mississippi
Schedule of the Town's Contributions-Unaudited
Last 10 Fiscal Years*
For the Years Ended September 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 7,968	\$ 8,340	\$ 7,993	\$ 8,728	\$ 11,971	\$ 12,424	\$ 12,527
Contributions in relation to the contractually required contributions	(7,968)	(8,340)	(7,993)	(8,728)	(11,971)	(12,424)	(12,527)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 45,794	\$ 51,637	\$ 50,750	\$ 55,419	\$ 76,006	\$ 78,883	\$ 79,537
Contributions as a percentage of covered payroll	17.40%	16.15%	15.75%	15.75%	15.75%	15.75%	15.75%

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

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the Town has only presented information for the years in which information is available.

See the Notes to the Required Supplementary Information.

Town of Soso, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ending September 30, 2020

A. Pension Schedules.

Changes of Assumptions.

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

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

Town of Soso, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ending September 30, 2020

A. Pension Schedules. Continued

2015

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

Change in Benefit Provisions.

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each proceeding year with a minimum rate of 1% and a maximum rate of 5%.

Town of Soso, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ending September 30, 2020

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

Town of Soso, Mississippi
Schedule of Surety Bonds of Municipal Officials and Others - Unaudited
September 30, 2020

Name	Position	Bond Amount	Bonding Company
Mike Moore	Mayor	\$ 25,000	St. Paul Travelers
Jimmy McCoy	Police Chief	50,000	St. Paul Travelers
Jeanne Sherman	Town Clerk	50,000	St. Paul Travelers
Byron Craft	Alderman	10,000	St. Paul Travelers
Douglas W. Johnston	Alderman	10,000	St. Paul Travelers
Jeremy Phipps	Alderman	10,000	St. Paul Travelers
Michael Simpson	Alderman	10,000	St. Paul Travelers
Jason Marshall	Alderman	10,000	St. Paul Travelers
Macon Davis	Police Officer	25,000	St. Paul Travelers
Steven Todd	Police Officer	25,000	St. Paul Travelers
Isaac Coleman	Police Officer	25,000	St. Paul Travelers
Dave Gulley	Police Officer	25,000	St. Paul Travelers

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

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

Honorable Mayor, Members of the
Board of Aldermen, and Town Clerk
Soso, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of Town of Soso, Mississippi, as of and for the year ended September 30, 2020, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 31, 2022. The auditors' report on the financial statements is modified to reflect that the report is adverse because the Town did not maintain adequate subsidiary records documenting the existence, completeness, and valuation of fixed assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Soso, 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 Town of Soso, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2020-001, 2020-002 and 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Town of Soso's Responses to Findings

Town of Soso, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Town of Soso, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
March 31, 2022

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Aldermen
Town of Soso
Soso, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Soso, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon March 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of non-compliance with state laws and regulations.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
March 31, 2022

SCHEDULE OF FINDINGS AND RESPONSES

**Town of Soso, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditors' report issued on the financial statements: | |
| Governmental Activities | Adverse |
| General Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal Control over financial reporting: | |
| a) Material weakness identified? | Yes |
| b) Significant deficiency identified that is not considered to be a material weakness | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Town of Soso, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020

Section 2: Financial Statement Findings

2020-001. Finding

Material Weakness

As reported in the prior years' audit reports, capital asset control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation, and completeness of capital assets. Therefore, the Independent Auditors' Report on the Financial Statements is adverse because we were unable to satisfy ourselves as to the fair presentation of the Town's capital assets reported for Governmental Activities. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- a. Records were not available to support the valuation and ownership of the land and buildings.
- b. The Town does not have a complete capital asset listing.

Repeat Finding: Yes, 2019-001.

Criteria: The Town should prepare accurate capital asset and depreciation schedules.

Condition: The Town does not have complete capital asset and depreciation schedules.

Cause: The Town does not have adequate staff time or resources to prepare the capital assets and depreciation schedule.

Effect: Failure to have adequate inventory controls in place could result in a loss or misappropriation of assets.

Recommendation: The Town should maintain capital asset records.

Views of Responsible Officials: The Town of Soso concurs with this finding.

**Town of Soso, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020**

2020-002. Finding

Material Weakness

As reported in the prior years, a critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that town personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor performed these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Repeat Finding: Yes, 2019-002.

Criteria: The Town does not have financial statements prepared in accordance with generally accepted accounting principles.

Condition: The Town does not prepare financial statements in accordance with generally accepted accounting principles.

Cause: The Town does not have adequate resources to hire someone to prepare financial statements in accordance with generally accepted accounting principles.

Effect: There is no effect because the audited financial statements are presented in accordance with generally accepted accounting principles.

Recommendation: The Board of Aldermen should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Views of Responsible Officials: The Board of Aldermen concurs with this finding.

**Town of Soso, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020**

2020-003. Finding

Material Weakness

As reported in the prior years, the Town has a lack of segregation of duties due to the size of the Town.

Repeat Finding: Yes, 2019-003.

Criteria: The Town does not have sufficient accounting staff.

Condition: The Town does not have an adequate segregation of duties.

Cause: The Town's size prohibits an adequate segregation of duties.

Effect: The lack of a segregation of duties could potentially cause misappropriation of funds and a resulting understatement of revenue and overstatement of expenses.

Recommendation: We recommend that the mayor receive, open, and review all mail including bank statements before turning them over to the town clerk.

Views of Responsible Officials: The Town of Soso concurs with this finding.