

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 SUMRALL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TOWN OF SUMRALL, MISSISSIPPI
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
Town of Sumrall
Sumrall, Mississippi

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sumrall, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Sumrall, Mississippi, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash receipts and disbursements basis of accounting.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Sumrall, Mississippi, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash receipts and disbursements basis of accounting, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Sumrall, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Sumrall, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sumrall, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sumrall, Mississippi's basic financial statements. The accompanying Schedule of Investments, Schedule of Capital Assets, Schedule of Long-Term Debt, and Schedule of Surety Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Investments, Schedule of Capital Assets, Schedule of Long-Term Debt, and Schedule of Surety Bonds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023, on our consideration of the Town of Sumrall, 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 solely 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 effectiveness of the Town of Sumrall, Mississippi's 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 Sumrall, Mississippi's internal control over financial reporting and compliance.



KING CPA, PLLC
June 28, 2023

TOWN OF SUMRALL, MISSISSIPPI
Statement of Cash Receipts and Disbursements
Governmental and Enterprise Funds
For the Year Ended September 30, 2021

| | Governmental Funds | | Enterprise | 2021 | 2020 |
|----------------------------------------------------|--------------------|----------------------|---------------------|---------------------|---------------------|
| | General fund | Special Revenue Fund | Water & Sewer Fund | Total All Funds | Total All Funds |
| RECEIPTS: | | | | | |
| General property taxes, penalties & interest | \$ 468,858 | \$ - | \$ - | \$ 468,858 | \$ 439,076 |
| Licenses and permits | 25,654 | - | - | 25,654 | 20,337 |
| Franchise tax on utilities | 77,777 | - | - | 77,777 | 82,728 |
| American Rescue Plan grant | - | - | 229,496 | 229,496 | - |
| State shared revenue: | | | | | |
| General Municipal Aid | 709 | - | - | 709 | 709 |
| Sales tax | 868,536 | - | - | 868,536 | 644,543 |
| Modernization Use Tax | 79,852 | - | - | 79,852 | 31,582 |
| Gasoline Tax | 4,352 | - | - | 4,352 | 4,352 |
| Fire protection | - | - | - | - | 8,573 |
| Homestead exemption | 11,857 | - | - | 11,857 | 11,565 |
| State Bond Grant | - | 120,000 | - | 120,000 | 2,000,000 |
| Court fines | 18,537 | - | - | 18,537 | 27,134 |
| Charges for services | - | - | 682,770 | 682,770 | 635,787 |
| Miscellaneous | 45,031 | - | - | 45,031 | 33,125 |
| Interest income | 2,093 | 9,129 | 7,856 | 19,078 | 81,145 |
| Transfers | 44,000 | - | 49,699 | 93,699 | - |
| Total receipts | 1,647,256 | 129,129 | 969,821 | 2,746,206 | 4,020,656 |
| DISBURSEMENTS: | | | | | |
| General government | 380,182 | - | - | 380,182 | 357,659 |
| Public safety - Police | 559,341 | - | - | 559,341 | 473,441 |
| Public safety - Fire | 41,101 | - | - | 41,101 | 46,691 |
| Court | 74,162 | - | - | 74,162 | 73,930 |
| Streets | 379,369 | - | - | 379,369 | 521,382 |
| Library, parks, and recreation | 6,110 | - | - | 6,110 | 5,698 |
| Water operations | - | - | 284,091 | 284,091 | 210,301 |
| Sewer operations | - | - | 188,650 | 188,650 | 81,164 |
| Garbage collection | - | - | 127,133 | 127,133 | 125,190 |
| Principal | 22,051 | - | - | 22,051 | 22,222 |
| Interest expense | 6,643 | - | - | 6,643 | 6,472 |
| Capital Outlay | - | 1,026,420 | - | 1,026,420 | 926,813 |
| Transfers | 44,000 | - | 49,699 | 93,699 | - |
| Total operating disbursements | 1,512,959 | 1,026,420 | 649,573 | 3,188,952 | 2,850,963 |
| Excess (deficiency) of receipts over disbursements | 134,297 | (897,291) | 320,248 | (442,746) | 1,169,693 |
| Other financing sources (uses) | | | | | |
| Other Interfund | 9,603 | 10,521 | (7,502) | 12,622 | (6,037) |
| Interfund General to Recreation | (114,875) | 114,875 | - | - | - |
| Interfund General to Water | (26,373) | - | 26,373 | - | - |
| Meter deposit refunds | - | - | (7,643) | (7,643) | - |
| Other receipts | - | - | 45,925 | 45,925 | - |
| Net other financing sources (uses) | (131,645) | 125,396 | 57,153 | 50,904 | (6,037) |
| Net Increase (Decrease) in Cash | 2,652 | (771,895) | 377,401 | (391,842) | 1,163,656 |
| Cash basis fund balance - beginning | 579,736 | 2,115,893 | 1,396,084 | 4,091,713 | 2,928,057 |
| Cash basis fund balance - ending | \$ 582,388 | \$ 1,343,998 | \$ 1,773,485 | \$ 3,699,871 | \$ 4,091,713 |

See accompanying notes and independent auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF SUMRALL, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Sumrall, Mississippi, operates under a Mayor-Aldermen form of government and provides all the rights and privileges provided by statute for municipalities.

The financial statements of the Town have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Cash Receipts and Disbursements) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Cash Receipts and Disbursements demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. The various funds are grouped into generic fund types and broad categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund is a fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Classifications

The account classifications used in the financial statements are in accordance with the classifications required by the 2010 Mississippi Municipal Audit and Accounting Guide promulgated by the State Auditor's Office of Mississippi.

Budgets

The budget is prepared on the cash basis as legally required by statute. The budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the Board of Aldermen. By statute, final budget and tax levy must be adopted on or before September 15 for the following fiscal year.

Investments

The town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For reporting purposes, certificates of deposit with an original maturity date of more than three months are considered investments.

Property Tax Revenue

Property taxes are assessed by the Town on a calendar year basis. For 2021, the Town requested 36.00 mills for general. Property taxes are considered delinquent February 1 and a tax sale is held in August for unpaid taxes. Property Tax revenue is recognized when collected, due to the uncertainty of collecting property taxes after September 30.

Net Cash Basis Fund Balance

In government-wide statement of cash receipts and disbursements, Net cash position displays two components: restricted net cash position (distinguished between major categories of restrictions); and unrestricted net cash position. Unrestricted net cash position represent the net position available for future operations.

Governmental fund balances are classified as restricted, committed, assigned, or unassigned. Restricted fund balance has limitations imposed by creditors, grantors, or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by a formal action of the Town Board. Assigned fund balance is a limitation imposed by the intent of the Town Board to use for a specific purpose, but are neither restricted nor committed. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above categories.

Proprietary fund net cash fund balance are classified the same as in the governmental fund statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Town must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-363 Miss. Code Ann. (1972). The collateral pledged for the Town's 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 Deposit Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the municipality's deposits with financial institutions reported in the governmental funds and business-type activities was \$1,905,776 and \$1,767,562, respectively. The bank balance was \$2,045,174 for governmental funds and \$1,807,689 for business-type activities

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the Mississippi State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of September 30, 2021, none of the district's bank balance was exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, drainage systems, and similar items) are reported in the Schedule of Capital Assets included in Other Supplemental Information. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of two years. The capitalization threshold for buildings and improvements other than buildings is \$50,000 and \$25,000, respectively. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported regardless of their amount.

NOTE 4 – BONDS PAYABLE

Presented below is Section 21-33-303 Mississippi Code:

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the

NOTE 4 – BONDS PAYABLE (continued)

purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes are levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally- owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53, or to any indebtedness incurred under Section 55-23-8.

The following is a schedule of limitations on the indebtedness of the Town at September 30, 2021:

| <u>Authorized Debt Limit</u> | <u>15 Percent</u> | <u>20 Percent</u> |
|------------------------------------------------------------------------------------|---------------------|---------------------|
| Assessed valuation of fiscal year ended September 30, 2021 | \$ 14,669,919 | \$ 2,200,488 |
| Present debt subject to 15% limitation | - | - |
| Present debt subject to 20% limitation including debt subject to 15% limitation | - | (239,760) |
| Margin for further debt under respective debt limits | <u>\$ 2,200,488</u> | <u>\$ 2,694,224</u> |

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description: The Town of Sumrall, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201 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 Sumrall is required to contribute at an actuarial 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's contributions to PERS for the years ending September 30, 2021, 2020, and 2019, were \$105,622, \$104,259, and \$87,578, respectively, which equaled the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for this risk. Settle claims resulting from these insured risks have not exceeded commercial insurance coverage in this fiscal year.

NOTE 7 – COMMITMENTS, CONTINGENCIES AND LITIGATIONNet Pension Liability

As of September 30, 2021, the Town of Sumrall's share of the PERS total net pension liability is approximately \$1,311,025 based on proportionate share of 0.008870%.

Investigation

In July 2020, while performing normal review procedures, Management determined a potential discrepancy in water and sewer revenue. The Mississippi State Auditor's office concluded the investigation in August 2022 and the Town recovered its loss in full in the amount of \$15,387.45.

NOTE 8 – SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the Statement date require disclosure in the accompanying notes. Management has considered subsequent events through June 28, 2023, the date of the financial statements were available to be issued, and determined that no subsequent events had occurred requiring disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

TOWN OF SUMRALL, MISSISSIPPI
Schedule of Investments
For the Year Ended September 30, 2021

Town of Sumrall had no investments other than interest bearing bank accounts as of September 30, 2021.

TOWN OF SUMRALL, MISSISSIPPI
Schedule of Capital Assets
For the Year Ended September 30, 2021

| Governmental Activities | Balance 10/1/2020 | Additions | Deletions | Adjustments | Balance 9/30/2021 |
|------------------------------------------------------|----------------------|---------------------|-------------|-------------|----------------------|
| Capital assets: | | | | | |
| Land | \$ 58,000 | \$ - | \$ - | \$ - | \$ 58,000 |
| Buildings | 311,332 | - | - | - | 311,332 |
| Machinery and Equipment | 895,933 | 86,808 | - | - | 982,741 |
| Infrastructure | 4,399,906 | 1,177,465 | - | - | 5,577,371 |
| Total Governmental activities capital assets | \$ 5,665,171 | \$ 1,264,273 | \$ - | \$ - | \$6,929,444 |
| Accumulated Depreciation | 754,704 | 139,939 | - | - | \$ 894,643 |
| Total Governmental activities net assets | \$ 4,910,467 | \$ 1,124,334 | \$ - | \$ - | \$ 6,034,801 |
| Business-type Activities | | | | | |
| Capital assets: | | | | | |
| Land | \$ 141,986 | \$ - | \$ - | \$ - | \$ 141,986 |
| Buildings | 82,457 | - | - | - | 82,457 |
| Machinery and Equipment | 459,057 | 61,380 | - | - | 520,437 |
| Infrastructure | 6,148,290 | 85,140 | - | - | 6,233,430 |
| Total Business-type activities capital assets | \$ 6,831,790 | \$ 146,520 | \$ - | \$ - | \$6,978,310 |
| Accumulated Depreciation | 2,317,295 | 164,016 | - | - | 2,481,311 |
| Total Business-type activities net assets | \$ 4,514,495 | \$ (17,496) | \$ - | \$ - | \$ 4,496,999 |

See accompanying independent auditors' report.

TOWN OF SUMRALL, MISSISSIPPI
Schedule of Long-Term Debt
For the Year Ended September 30, 2021

| | Balance <u>October 1, 2020</u> | <u>Issued</u> | <u>Redeemed</u> | Balance <u>September 30, 2021</u> | Interest <u>Paid</u> |
|------------------------------------------------------------------|-----------------------------------|---------------|------------------|--------------------------------------|-------------------------|
| Mississippi Development Authority Capital Improvement Program | \$ <u>261,811</u> | \$ <u>-</u> | \$ <u>22,051</u> | \$ <u>239,760</u> | \$ <u>6,643</u> |

See accompanying independent auditors' report.

TOWN OF SUMRALL, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
For the Year Ended September 30, 2021

Presented below is Section 21-17-5 of Mississippi Code.

Unless otherwise provided by law, before entering upon the duties of their respective offices, the aldermen of every municipality of this state shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to five percent (5%) of the sum of all municipal taxes shown by the assessment rolls and the levies to have been collectible in the municipality for the year immediately preceding the commencement of the term of office of said aldermen; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$100,000).

| <u>Name</u> | <u>Position</u> | <u>Bond Amount</u> | <u>Company</u> | <u>Bond No.</u> | <u>Term</u> |
|----------------------|-----------------------|------------------------|----------------|-----------------|-------------------|
| William Joel Lofton | Mayor | \$ 50,000 | Travelers | 107418328 | 7/1/2021-7/1/2025 |
| Brittany Fortenberry | Alderman , at large | \$ 50,000 | Travelers | 107418333 | 7/1/2021-7/1/2025 |
| Lamar Reed | Alderman , ward 1 | \$ 50,000 | Travelers | 107418329 | 7/1/2021-7/1/2025 |
| Lee Granberry | Alderman, ward 2 | \$ 50,000 | Travelers | 107418330 | 7/1/2021-7/1/2025 |
| Pam Birdsong Graves | Alderman, ward 3 | \$ 50,000 | Travelers | 107418331 | 7/1/2021-7/1/2025 |
| Darrell Hall | Alderman, ward 4 | \$ 50,000 | Travelers | 107418332 | 7/1/2021-7/1/2025 |
| Jo Ann Robbins | City Clerk | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |
| Cassie Dement | Deputy Clerk | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |
| Carole Stanley | Deputy Clerk | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |
| Elsie Cowart | Police Chief | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |
| Elsie Cowart | Deputy Court Clerk | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |
| Stephanie Bourgeois | Municipal Court Clerk | \$ 50,000 | Travelers | 105072877 | 8/1/2021-8/1/2022 |

See accompanying independent auditors' report.

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

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Mississippi Society of
Certified Public Accountants

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

To the Honorable Mayor and Board of Aldermen
Town of Sumrall, 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 cash basis financial statements of the governmental activities and the business-type activities of the Town of Sumrall, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sumrall, Mississippi's basic financial statements, and have issued our report thereon dated June 28, 2023.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01 and item 2021-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sumrall, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "King CPA, PLLC". The signature is written in a cursive, flowing style.

KING CPA, PLLC
June 28, 2023

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

American Institute of
Certified Public Accountants

King CPA, PLLC

206 E. Central Ave. P.O. Box 1182
Petal, MS 39465
Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of
Certified Public Accountants

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

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

We have audited the basic financial statements of the Town of Sumrall, Mississippi as of and for the year ended September 30, 2021 and have issued our report dated June 28, 2023. We have 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*.

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 general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

King CPA, PLLC

KING CPA, PLLC
June 28, 2023

SCHEDULE OF FINDINGS AND RESPONSES

**TOWN OF SUMRALL, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section 1: Financial Statement Findings

2021-01 – Significant Deficiency in Internal Control

| | |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Condition:</i> | Improper recording of cash receipts and disbursements and transfers. |
| <i>Criteria:</i> | Balance sheet accounts are not reconciled to underlying subsidiary records for water and sewer customer receivables, customer meter deposits, due to from other funds and payroll related liabilities. Some revenues are recorded on accrual basis and some cash revenues are not recorded. |
| <i>Effect:</i> | Errors in recording receipts, disbursements and transfers were not detected and corrected on a timely basis. |
| <i>Recommendation:</i> | We recommend reviewing the procedures for closing and reconciling month end accounting records and make the appropriate changes to ensure proper recording of all cash receipts and disbursements. |
| <i>Response:</i> | Management agrees the process for recording, reviewing and reconciling financial transactions should be improved. Management will communicate with the external accounting firm regarding additional procedures. Also, accounting software will be evaluated to determine best practices for recording financial transactions. |

2021-02 – Significant Deficiency in Internal Control

| | |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Condition:</i> | Improper governmental accounting system by individual self-balancing funds. |
| <i>Criteria:</i> | Individual self-balancing set of accounts are not maintained for each fund to segregate the financial reporting in accordance with special regulations, restrictions and activities. |
| <i>Effect:</i> | Compliance with finance related legal and contractual provisions are not readily determinable. |
| <i>Recommendation:</i> | We recommend reviewing the procedures for establishing and reporting individual funds to comply with legal and contractual related activities. |
| <i>Response:</i> | Management agrees and will review its accounting and reporting system. Also, accounting software will be evaluated to determine best practices for recording financial transactions. |