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FINANCIAL STATEMENTS

Town of Shannon, Mississippi

For the year ended
September 30, 2005

TOWN OF SHANNON, MISSISSIPPI
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ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES

**FRANKS,
FRANKS &
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

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

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Shannon, Mississippi as of September 30, 2005, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Shannon, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

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

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Peoples Bank & Trust Co.	General Fund	\$ 430,874
Peoples Bank & Trust Co.	General Fund	<u>60</u>
Total General Fund		<u>\$ 430,934</u>
Peoples Bank & Trust Co.	Special Revenue	\$ 34,897
Peoples Bank & Trust Co.	Special Revenue	<u>5,363</u>
Total Special Revenue Fund		<u>\$ 40,260</u>
Peoples Bank & Trust Co.	Proprietary Fund	\$ 184
Peoples Bank & Trust Co.	Proprietary Fund	98,015
Peoples Bank & Trust Co.	Proprietary Fund	72,378
Peoples Bank & Trust Co.	Proprietary Fund	30,361
Peoples Bank & Trust Co.	Proprietary Fund	90,120
Peoples Bank & Trust Co.	Proprietary Fund	1,409
Peoples Bank & Trust Co.	Proprietary Fund	477,904
Peoples Bank & Trust Co.	Proprietary Fund	44,548
Peoples Bank & Trust Co.	Proprietary Fund	14,438
Peoples Bank & Trust Co.	Proprietary Fund	<u>20,103</u>
Total Proprietary Fund		<u>\$ 849,460</u>

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

1. Verified use of certified county assessment rolls and traced levies to governing body minutes;

2. Reconciled the amount of taxes levied per the tax rolls to amounts actually collected;
3. Examined uncollected taxes for proper handling, including tax sales;
4. Traced distribution of taxes collected to proper funds; and
5. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

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

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

- C. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger. Payments traced were as follows:

<u>Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sales Tax Allocation	General Fund	\$ 165,821
Gasoline Tax	General Fund	4,453
TVA In Lieu	General Fund	15,303
General Municipal Aid	General Fund	864
Fire Protection Allocation	Special Revenue Fund	7,806
Liquor Privilege Tax	General Fund	1,800
Other Aid to Municipalities	General Fund	50,000
CDBG Grant Funds	Water and Sewer Fund	321,592
Homestead Exemption Reim	General Fund	5,314

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

The sample consisted of the following:

Number of Sample Items	17
Dollar Value of Sample	\$ 452,278

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

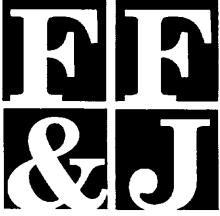
- E. We have read the Municipal Compliance Questionnaire completed by the municipality. The following responses to the questionnaire indicate noncompliance with state requirements:

1. The Town has not performed an annual inventory of fixed assets and has not tagged assets that are required to be tagged. The Town has not compiled a complete Fixed Asset Inventory Ledger. (Section 7-7-211 - Municipal Audit and Accounting Guide)
2. The Town approved claims and issued warrants which were in excess of the budgeted amounts for certain expenditures categories. This resulted in budget overages in two expenditure categories. (Section 21-35-17 – Municipal Audit and Accounting Guide)

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the items specified in the Paragraphs 1, 2 and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Shannon, Mississippi, for the year ended September 30, 2005.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P.A.
February 16, 2006



ACCOUNTANT'S COMPILATION REPORT

**FRANKS,
FRANKS &
JARRELL, P.A.**

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

CERTIFIED PUBLIC ACCOUNTANTS

We have compiled the accompanying statement of cash receipts and disbursements - all fund types of the Town of Shannon, Mississippi, for the year ended September 30, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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A compilation is limited to presenting in the form of financial statements information that is the representation of the Town's officials. We have not audited or reviewed the accompanying statement of cash receipts and disbursements - all fund types and, accordingly, do not express an opinion or any other form of assurance on it.

SHAREHOLDERS:

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the statement of cash receipts and disbursements - all fund types is not intended to present results of operations, in conformity with generally accepted accounting principles.

RUDOLPH F. FRANKS

The Town's management has elected to omit substantially all of the disclosures ordinarily included in a financial statement prepared on the cash basis of accounting. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

GARY M. FRANKS

P. GREG JARRELL

BRYON WILEMON

SCOTT WILSON

JONATHAN HAGOOD

The supplementary information contained on pages 7 through 9 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of the officials of the Town of Shannon, Mississippi, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P. A.
February 16, 2006

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

TOWN OF SHANNON, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUND TYPES
For the year ended September 30, 2005

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Proprietary Fund	
REVENUE RECEIPTS:				
Property Taxes	\$ 80,113	\$ 15,568	\$	\$ 95,681
Franchise Tax on Utilities	20,680			20,680
Privilege Tax Revenue	2,759			2,759
Auto Ad Valorem Tax	30,361			30,361
Intergovernmental Revenues:				
State Shared Revenues:				
General Municipal Aid	864			864
Sales Tax	165,821			165,821
Liquor Privilege Tax	1,800			1,800
Gasoline Tax	4,453			4,453
TVA In Lieu of Tax	15,303			15,303
Homestead Exemption Reimbursement	5,314			5,314
Storm Shelter Grants	15,000			15,000
Fire Protection		7,806		7,806
CDBG Grant Income			321,593	321,593
Charges for Services:				
Water & Sewer System			221,798	221,798
Gas System			494,864	494,864
Fines and Forfeits:				
Police Fines	42,740			42,740
Miscellaneous Receipts:				
Interest Income	939	99	3,388	4,426
County Fire Allocation		8,145		8,145
Park & Recreation Fees	5,140			5,140
COPS Grant Income	36,711			36,711
Housing Repayment Funds		2,000		2,000
Home Grant Fund		50,000		50,000
Homeland Security		8,503		8,503
Proceeds from Debt Issued			91,600	91,600
Other Income	10,817			10,817
Total Revenue Receipts	438,815	92,121	1,133,243	1,664,179
Cash Balance - Beginning of Year	438,965	28,867	755,440	1,223,272
TOTAL AMOUNT TO ACCOUNT FOR	\$ 877,780	\$ 120,988	\$ 1,888,683	\$ 2,887,451
OPERATING DISBURSEMENTS:				
General Administration and Finance	\$ 115,283		\$	\$ 115,283
Public Safety: Police & Fire	254,624			254,624
Public Works	16,177			16,177
Home Owner Assistance		50,000		50,000
Park and Recreation	10,024			10,024
Enterprise: Water & Sewer System			149,913	149,913
Enterprise: Gas System			419,475	419,475
Interest on Bonds			23,207	23,207
Total Cash Operating Disbursements	396,108	50,000	592,595	1,038,703
Other Disbursements:				
Loans Repaid:				
Principal	23,911		33,374	57,285
Capital Outlay	26,827	30,728	413,254	470,809
Total Other Disbursements	50,738	30,728	446,628	528,094
Total Disbursements	446,846	80,728	1,039,223	1,566,797
Cash Balance - End of year	430,934	40,260	849,460	1,320,654
TOTAL AMOUNT ACCOUNTED FOR	\$ 877,780	\$ 120,988	\$ 1,888,683	\$ 2,887,451

See accompanying selected information and accountant's compilation report.

Town of Shannon, Mississippi
 SELECTED INFORMATION-Substantially all disclosures required
 by generally accepted accounting principles are not included
 September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

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

Reporting Entity

The financial statement of the Town includes all the funds of the Town.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

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

NOTE B - REPORT CLASSIFICATIONS

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

NOTE C - LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of September 30, 2005, including interest payments of \$445,190 are as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>CAP</u> <u>Loans</u>	<u>Farmer's Home</u> <u>Administration</u>	<u>Notes</u> <u>Payable</u>	<u>Capital</u> <u>Leases</u>	<u>Interest</u>	<u>Total</u>
2006	23,540	6,053	19,595	0	31,810	80,998
2007	24,426	6,347	22,371	0	29,245	82,389
2008	25,346	6,655	23,457	0	26,931	82,389
2009	26,299	6,978	24,595	0	24,515	82,387
2010	27,289	7,317	1,582	0	22,463	58,651
Thereafter	<u>68,232</u>	<u>387,274</u>	<u>0</u>	<u>0</u>	<u>310,226</u>	<u>765,732</u>
	<u>\$ 195,132</u>	<u>\$ 420,624</u>	<u>\$ 91,600</u>	<u>\$ 0</u>	<u>\$ 445,190</u>	<u>\$ 1,152,546</u>

See accountant's compilation report.

TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2005

Ownership	Type of Investment	Interest Rate	Acquisition Date	Maturity Date	Other Information	Investment Cost/Value
Water Fund	Certificate of Deposit	1.40%	09/30/04	09/30/05	Peoples Bank	\$ 90,120
Gas Fund	Certificate of Deposit	1.40%	09/30/04	09/30/05	Peoples Bank	<u>20,103</u>
Total Proprietary Fund Type						<u>110,223</u>
Total Investments						\$ <u><u>110,223</u></u>

See accountant's compilation report

TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2005

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Mary Lee Helms	Town Clerk	St. Paul Surety	\$50,000
Debbie Johnson	Assistant Clerk	St. Paul Surety	\$10,000
Elizabeth Estes	Assistant Clerk	Western Surety Company	\$10,000
Johnny Patterson	Chief of Police	St. Paul Surety	\$50,000
Ronnie Hallmark	Mayor	MS Municipal Bond Program	\$25,000
Mary Gardner	Alderman	MS Municipal Bond Program	\$15,000
James Rutherford	Alderman	MS Municipal Bond Program	\$15,000
Debra Grubbs	Alderman	MS Municipal Bond Program	\$15,000
Joseph McCord	Alderman	MS Municipal Bond Program	\$15,000
Judy Johnson	Alderman	MS Municipal Bond Program	\$15,000

See accountant's compilation report.

TOWN OF SHANNON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2005

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING OCTOBER 1, 2004</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED/ (BORROWED)</u>	<u>BALANCE OUTSTANDING SEPTEMBER 30, 2005</u>
Notes Payable:			
The Peoples Leasing	\$ 2,288	\$ 2,288	\$ 0
The Peoples Leasing	712	712	0
The Peoples Bank & Trust Co.	20,911	20,911	0
The Peoples Leasing	2,149	2,149	0
USDA - Rural Development	427,125	6,501	420,624
CAP Loan	219,856	24,724	195,132
Water Tank Loan - Renasant	<u>0</u>	<u>(91,600)</u>	<u>91,600</u>
TOTAL	<u>\$ 673,041</u>	<u>\$ (34,315)</u>	<u>\$ 707,356</u>

See accountant's compilation report.