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FINANCIAL STATEMENTS  
TOWN OF SHERMAN, MISSISSIPPI  
Year Ended September 30, 2013

**RECEIVED**

**FEB 22 2016**

Franks, Franks, Jarrell & Wilemon, P.A.  
Certified Public Accountants

**TOWN OF SHERMAN, MISSISSIPPI  
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September 30, 2013**

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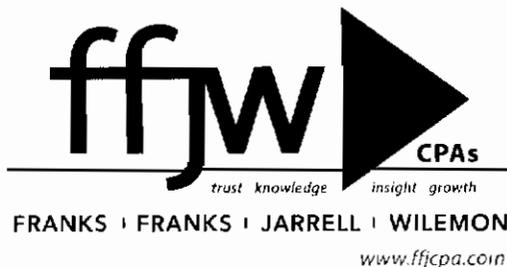
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
Town of Sherman, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Sherman, Mississippi as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

As described more fully in Note A, the Town of Sherman, Mississippi has prepared these financial statements using accounting practices prescribed or permitted by the Mississippi Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Sherman, Mississippi as of September 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Town of Sherman, Mississippi has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Sherman, Mississippi, as of September 30, 2013 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note A.

#### **Other Information**

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 9, 2015, on our consideration of the Town of Sherman, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

*Franks, Franks, Jarrell + Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi  
October 9, 2015

**BASIC FINANCIAL STATEMENTS**

**TOWN OF SHERMAN, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**  
**For the year ended September 30, 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General</u>	<u>Total</u>	<u>Water and Sewer</u>	<u>Total</u>
<b><u>RECEIPTS</u></b>				
Ad Valorem Taxes:				
Real and Personal Taxes	\$ 123,310	\$ 123,310	\$ -	\$ -
Penalties and Interest	527	527	-	-
Intergovernmental Revenues:				
Federal Revenue:				
CDBG Grant	-	-	360,297	360,297
ARC Grant	-	-	110,430	110,430
USDA Grant	15,155	15,155	-	-
JAG Grant	2,966	2,966	-	-
DUI Grant	30,737	30,737	-	-
OP Grant	7,624	7,624	-	-
State Shared Revenues:				
Sales Tax	138,407	138,407	-	-
Municipal Aid	2,101	2,101	-	-
Fire Protection Allocation	3,464	3,464	-	-
Homestead Reimbursement	3,894	3,894	-	-
TVA - In Lieu	9,680	9,680	-	-
Law Enforcement Assistance	-	-	-	-
Other Intergovernmental Revenues:				
In Lieu Taxes	18,464	18,464	-	-
County Fire Protection	8,000	8,000	-	-
Charges for Services:				
Water & Sewer Systems	-	-	261,024	261,024
Park & Recreation	6,955	6,955	-	-
Franchise Fees	5,078	5,078	-	-
Licenses & Permits	10,313	10,313	-	-
Court Fines	110,446	110,446	-	-
Interest Income	1,336	1,336	48	48
Mortgage Payments Income	23,027	23,027	-	-
Sherman Day Funds	7,671	7,671	-	-
Other Income	2,169	2,169	3,362	3,362
<b>Total Receipts</b>	<b>531,324</b>	<b>531,324</b>	<b>735,161</b>	<b>735,161</b>
<b><u>DISBURSEMENTS</u></b>				
General Administration and Finance	117,896	117,896	-	-
Public Safety:				
Police	248,276	248,276	-	-
Fire	18,224	18,224	-	-
Court	15,662	15,662	-	-
Public Works:				
Street Department	101,414	101,414	-	-
Culture and Recreation:				
Park and Recreation	25,440	25,440	-	-
Library	7,798	7,798	-	-
Enterprise: Water & Sewer	-	-	211,642	211,642
Redemption of Principal	6,627	6,627	38,945	38,945
Property Additions	40,513	40,513	553,488	553,488
Interest and Fiscal Charges	1,373	1,373	12,521	12,521
<b>Total Disbursements</b>	<b>583,223</b>	<b>583,223</b>	<b>816,596</b>	<b>816,596</b>
Excess (Deficiency) of Receipts				
Over Disbursements	\$ (51,899)	\$ (51,899)	\$ (81,435)	\$ (81,435)

**TOWN OF SHERMAN, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**  
**For the year ended September 30, 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General</u>	<u>Total</u>	<u>Water and Sewer</u>	<u>Total</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Loan Proceeds	\$ 55,000	\$ 55,000	\$ 78,439	\$ 78,439
Transfers	5,175	5,175	(5,175)	(5,175)
Total Other Financing Sources (Uses)	<u>60,175</u>	<u>60,175</u>	<u>73,264</u>	<u>73,264</u>
Excess (Deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,276	8,276	(8,171)	(8,171)
Cash Basis Fund Balance - Beginning of Year	<u>216,668</u>	<u>216,668</u>	<u>164,368</u>	<u>164,368</u>
Cash Basis Fund Balance - End of Year	<u>\$ 224,944</u>	<u>\$ 224,944</u>	<u>\$ 156,197</u>	<u>\$ 156,197</u>

See accompanying notes to the financial statements.

**TOWN OF SHERMAN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**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.

**Basis of Accounting**

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

**Government-Wide Financial Statements**

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

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

**Financial Statement Presentation**

The Town reports the following governmental funds:

*General Fund* – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

**TOWN OF SHERMAN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Town reports the following major proprietary fund:

*Water and Sewer Fund* – This fund is used to account for the Town's water and sewer distribution system.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary fund are as follows: sale of water and charges for sewer treatment. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Included within the reporting entity:

*Town of Sherman water and sewer system.* The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water and sewer debt remains with the government.

**TOWN OF SHERMAN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

**TOWN OF SHERMAN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue & Expense Recognition

Revenues for all fund types are recognized when received, expenditures are recorded when paid.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received.

Interfund Transactions

Interfund transactions have not been eliminated from these financial statements.

**NOTE B – CASH AND INVESTMENTS**

Cash and Investments

Deposits- The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's deposits 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.

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest 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, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The Town's investments as of September 30, 2013 are:

Investments:

Certificates of Deposit	\$ 176,025
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**TOWN OF SHERMAN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE C – PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property on January 1. The Town bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the Town.

**NOTE D – LONG-TERM DEBT**

The annual requirements to amortize all debt outstanding as of September 30, 2013 (including interest payments of \$66,879) are as follows:

Fiscal Year Ended September 30,	Principal	Interest	Total
2014	\$ 51,416	\$ 12,051	\$ 63,467
2015	53,146	10,322	63,468
2016	54,943	8,523	63,466
2017	44,392	6,714	51,106
2018	32,396	5,612	38,008
2019-2023	147,402	19,273	166,675
2024-2028	110,879	4,384	115,263
	<u>\$ 494,574</u>	<u>\$ 66,879</u>	<u>\$ 561,453</u>

There is also a Cap loan in progress that has a \$78,439 remaining principal balance as of 9/30/2013. This loan is not fully drawn and is not in repayment as of 9/30/2013.

**NOTE E – LITIGATION**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.

**NOTE F – DEFINED BENEFIT PENSION PLAN**

Plan Description - The Town of Sherman 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 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

**TOWN OF SHERMAN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE F – DEFINED BENEFIT PENSION PLAN (continued)**

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and the Town of Sherman is required to contribute at an actuarially determined rate. The current rate is 15.75 % of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Sherman's contributions to PERS for the years ending September 30, 2013 and 2012 were \$40,881 and \$35,681 respectively, equal to the required contributions for each year.

**NOTE G – RISK MANAGEMENT**

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

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

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2013, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 9, 2015, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF SHERMAN, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
For the year ended September 30, 2013**

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING October 1, 2012</u>	<u>TRANSACTIONS DURING FISCAL YEAR ISSUED</u>	<u>TRANSACTIONS DURING FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING September 30, 2013</u>
Notes Payable:				
Note Payable - Bancorpsouth	\$ -	\$ 55,000	\$ 6,627	\$ 48,373
Note Payable - Berkadia	68,250	-	13,717	54,533
Note Payable - Cap Loan 50477	340,762	-	20,692	320,070
Note Payable - Cap Loan 50536	76,134	-	4,536	71,598
Note Payable - Cap Loan 50708	-	78,439	-	78,439
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	\$ <u>485,146</u>	\$ <u>133,439</u>	\$ <u>45,572</u>	\$ <u>573,013</u>

**TOWN OF SHERMAN, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS  
September 30, 2013**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Ben Logan	Mayor	Travelers Casualty & Surety	\$ 50,000
John R. Bolen	Alderman	Travelers Casualty & Surety	50,000
Todd McDonald	Alderman	Travelers Casualty & Surety	50,000
Martha Swindle	Alderman	Travelers Casualty & Surety	50,000
Wayne Bullock	Alderman	Travelers Casualty & Surety	50,000
Mike Swords	Alderman	Travelers Casualty & Surety	50,000
Connie Allen	Town Clerk/Deputy Court Clerk	Western Surety Henderson-Boone	50,000
Tara Walden	Deputy Town Clerk/Court Clerk	Western Surety Henderson-Boone	50,000
Joel Spelling	Police Chief	Western Surety Henderson-Boone	50,000
Police Department	Police Officers	Western Surety Henderson-Boone	25,000

**TOWN OF SHERMAN, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency Id Number	Federal CFDA Number	Federal Expenditures
<b>PRIMARY GOVERNMENT:</b>			
<b>U. S. Department of Justice</b>			
Passed through Mississippi Department of Public Safety ARRA-Edward Byrne Memorial Justice Assistance Grant Program		16.738	\$ <u>2,966</u>
<b>Total U.S. Department of Justice</b>			<b>\$ <u>2,966</u></b>
<b>U. S. Department of Transportation</b>			
Passed through Mississippi Department of Transportation State and Community Highway Safety Alcohol Impaired Driving Countermeasures Incentive Grants I		20.600 20.601	\$ 8,822 <u>15,171</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ <u>23,993</u></b>
<b>U.S. Department of Agriculture</b>			
Community Facilities Loans and Grants		10.766	\$ <u>16,202</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ <u>16,202</u></b>
<b>Appalachian Regional Commission</b>			
Passed through Tennessee Valley Authority Appalachian Area Development		23.002	\$ <u>138,064</u>
<b>Total Appalachian Regional Commission</b>			<b>\$ <u>138,064</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Mississippi Development Authority Community Development Block Grants/State's program and * Non-Entitlement Grants	1128-11-337-PF01	14.228	\$ <u>360,297</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ <u>360,297</u></b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ <u>541,522</u></b>

**SIGNIFICANT ACCOUNTING POLICIES:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Sherman, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements as they are prepared on the cash receipts and disbursements method of accounting.

\* - Major Program

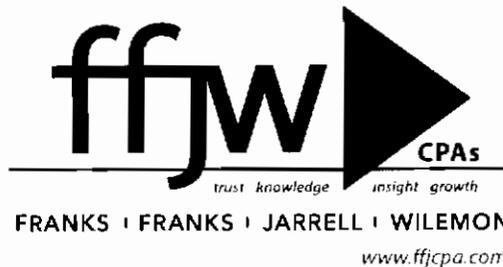
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OTHER REPORTS

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

Honorable Mayor and Board of Aldermen  
Town of Sherman, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Sherman, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Sherman, Mississippi's basic financial statements and have issued our report thereon dated October 9, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Sherman, 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 Sherman, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sherman, 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 preceding paragraph 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2013-01, 2013-02, 2013-03, 2013-04, 2013-05 and 2013-06 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Sherman, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2013-02, 2013-03, 2013-04, 2013-05 and 2013-06 to be instances of noncompliance. We noted certain other matters that we reported to management of the Town of Sherman, Mississippi in a separate letter dated October 9, 2015.

**Town of Sherman, Mississippi's Response to Findings**

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

**Purpose of this Report**

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

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi  
October 9, 2015

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen  
Town of Sherman, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Sherman, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Sherman, Mississippi's major federal programs for the year ended September 30, 2013. The Town of Sherman, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Sherman, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Sherman, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Sherman, Mississippi's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Sherman, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

#### **Report on Internal Control over Compliance**

Management of the Town of Sherman, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Sherman, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Sherman, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Franks, Franks, Jarrell + Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi  
October 9, 2015

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

Honorable Mayor and Board of Alderman  
Town of Sherman, Mississippi

We have audited the basic financial statements of the Town of Sherman, Mississippi, as of and for the year ended September 30, 2013, and have issued our report dated October 9, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

As required by the State legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the accompanying Schedule of Findings and questioned costs as items 2013-02, 2013-03, 2013-04, 2013-05 and 2013-06.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Tupelo, Mississippi  
October 9, 2015

**TOWN OF SHERMAN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2013**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: unmodified  
Internal control over financial reporting:  
Material weakness identified?  X  Yes   No  
Reportable condition identified  
not considered to be material weaknesses?  X  Yes   None reported  
Noncompliance material to financial statements  
noted?  X  Yes   No

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?   Yes  X  No  
Reportable condition(s) identified  
not considered to be material weaknesses?   Yes  X  None reported  
Type of auditor's report issued on compliance  
for major programs: unmodified  
Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?   Yes  X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>Community Development Block Grant/ State's Program and Non-Entitlement Grants</u>

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000  
Auditee qualified as low-risk auditee?   Yes  X  No

**TOWN OF SHERMAN, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2013**

**SECTION 2 - FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 2013-01**

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

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

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

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

**FINDING NO. 2013-02**

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

**Cause of Condition:** The Town did not conduct a year-end inventory of fixed assets needed to maintain accountability of assets; and, all fixed assets are not tagged as required. The Town does not have a complete fixed asset listing substantiating the valuation, location, description and inventory tag numbers of its fixed assets.

**Recommendation:** The Town should compile a fixed asset listing and conduct year-end inventory observations of its fixed assets to maintain accountability of assets. The Town should ensure that all fixed assets are tagged and accounted for in accordance with state statutes.

**Response:** The Town will conduct year-end inventory observations of their fixed assets. Also, the Town will compile the fixed asset inventory listing and tag all assets.

**TOWN OF SHERMAN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2013**

**FINDING NO. 2013-03**

**Criteria:** The Town is required, by state statutes, to prepare a budget for all funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi Code Ann. (1972), requires the Town Clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

**Cause of Condition:** The Town had budget overages in some expenditure categories for the year ended September 30, 2013. The Town Clerk did not prepare accurate revenue and expense budget to actual comparisons on a monthly basis for review and approval by the Board of Alderman for the purpose of monitoring the status of the budget.

**Recommendation:** The Town should ensure that all expenditures are within the final amended budget amounts. The Town Clerk should utilize the software to generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenditures are disbursed in excess of budgeted amounts. The Town Clerk should provide the budget reports to the Board at each monthly meeting.

**Response:** The Town will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis. The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

**FINDING NO. 2013-04**

**Criteria:** The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

**Cause of Condition:** The Town did not obtain competitive quotes for one purchase during the fiscal year, as required by state statutes.

**Recommendation:** The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

**Response:** Purchase laws are now being complied with by all department heads and we have established procedures which will ensure compliance with purchase laws.

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**TOWN OF SHERMAN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2013**

**FINDING NO. 2013-05**

**Criteria:** The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The Town did not ensure full accountability for ticket books during the fiscal year. We noted three tickets that were entered in the court docket but no copy of these tickets could be produced in the files of the Town. We also noted that ticket books are not returned to the Town Clerk once all tickets in the books have been issued by the officers.

**Recommendation:** The Town should implement adequate internal controls over all court collection functions. The Town should ensure full accountability for all ticket books from issuance to officer to return to Court Clerk.

**Response:** The Town will implement a system to ensure accountability for all ticket books of the Town.

**FINDING NO. 2013-06**

**Criteria:** The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases. This includes obtaining board approval of all purchases through the claims docket.

**Cause of Condition:** The Town made purchases out of the Sherman Day Checking Account without obtaining board approval through the claims docket.

**Recommendation:** The Town should implement process to ensure no warrants are issued without first being approved by the Town's board.

**Response:** The Town will establish procedures to ensure that future purchases are in compliance with state laws.

**SECTION 3 - FEDERAL AWARD FINDINGS:**

None

- 
- Findings 2013-01, 2013-02, 2013-03, 2013-04, 2013-05 and 2013-06 are considered Material Weaknesses.
  - Findings 2013-02, 2013-03, 2013-04, 2013-05 and 2013-06 are considered Noncompliance findings.