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Office of the State Auditor

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Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter are two (2) copies of the Annual Audit, for the Town of Terry, Mississippi, for fiscal year ended September 30, 2013. A separate management letter was not written to the in connection with this Annual Audit.

Joseph O. Kendrick Jr. 2/17/16

Joseph O. Kendrick Jr.

Mayor Town of Terry

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Town of Terry

**Financial Statements
with Supplementary Information
September 30, 2013**

Town of Terry

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September 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the Statement of Cash Receipts and Disbursements (All Funds) of the Town of Terry, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Terry'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 practices permitted by the Mississippi State Department of Audit; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis of Accounting

As described more fully in Note 1, the Town of Terry has prepared their financial statements using accounting practices permitted by the Mississippi State Department of Audit, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Opinion

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Town of Terry as of September 30, 2013, or changes in financial position or cash flows thereof for the year then ended. Further, the Town has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are not required to be part of, the basic financial statements.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of each fund of the Town of Terry, as of September 30, 2013, and their respective cash receipts and disbursements, for the year ended, on the basis of accounting described in Note 1 except for the omission of a supplemental schedule of the Statement of Capital Assets as is required by the accounting practices permitted by the Mississippi State Department of Audit.

Other Matters

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 Terry, taken as a whole. Supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statement. The information in these schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements (All Funds) and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of Long Term Debt and Schedule of Surety Bonds for Town Officials, is fairly stated in all material respects in relation to the Statement of Cash Receipts and Disbursements (All Funds) taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 on our consideration of the Town of Terry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Carr, Riggs & Ingram, L.L.C.

Ridgeland, Mississippi
March 19, 2015

Town of Terry

Statement of Cash Receipts and Disbursements (All Funds)

Governmental Activities

For the Year End September 30, 2013	General	Fire Protection	Cemetery Fund	Proprietary Funds	Total
Revenue Receipts:					
General Property Taxes	\$ 284,189	\$ -	\$ -	\$ -	\$ 284,189
Licenses, Permits and fees	91,312	-	-	-	91,312
Intergovernmental Revenue:					
State Shared Revenues:					
Sales Tax	293,826	-	-	-	293,826
General Municipal Aid	530	-	-	-	530
Gasoline Tax	2,508	-	-	-	2,508
Homestead Exemption	9,727	-	-	-	9,727
Nuclear Plant	7,845	-	-	-	7,845
Liquor Fee	900	-	-	-	900
Charges for Services:					
Water Utility Sani Spec	-	-	-	406,616	406,616
Cemetery Fees	-	-	15,132	-	15,132
Other Income:					
Interest Income	-	6	12	123	141
Total Revenue Receipts	690,837	6	15,144	406,740	1,112,726
Other Receipts:					
Federal Revenues:					
MDA NE Terry Sewer Project	82,825	-	-	-	82,825
DRA Construction	146,179	-	-	-	146,179
USDA Construction Loan	310,000	-	-	-	310,000
Transfers	423,615	10,000	5,036	257,200	695,851
Total Other Receipts	962,619	10,000	5,036	257,200	1,234,855
Total Receipts	1,653,456	10,006	20,180	663,940	2,347,581
Cash Balance - Beginning of Year	41,729	30,361	34,866	77,650	184,606
Total Amount to be Accounted for	\$ 1,695,185	\$ 40,367	\$ 55,045	\$ 741,590	\$ 2,532,187

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See notes to financial statement.

Town of Terry

Statement of Cash Receipts and Disbursements (All Funds)

For the Year End September 30, 2013	Governmental Activities				Total
	General	Fire Protection	Cemetery Fund	Proprietary Funds	
Operating Disbursements:					
General	\$ 781,932	\$ 301	\$ 317	\$ -	\$ 782,550
Public Safety - Police	389	-	-	-	389
Sanitation	21,924	-	-	-	21,924
Enterprises: Water Utility	1,958	-	-	231,315	233,273
Interest on Note	21,236	-	-	835	22,071
Cemetery Maintenance	975	-	-	-	975
Total Operating Disbursements	828,414	301	317	232,150	1,061,182
Other Disbursements:					
Firestation/PW Building Construction	84,595	-	-	-	84,595
Federal Expenditures:					
USA Firestation/PW Building Construction	306,731	-	-	30	306,761
DRA Firestation/PW Building Construction	146,179	-	-	-	146,179
MDA NE Terry Sewer Project	82,825	-	-	-	82,825
Redemption of Principal	63,101	-	-	17,103	80,204
Equipment purchased with Loans	29,570	-	-	23,607	53,177
Transfers	181,463	38,500	28,500	447,388	695,851
Total Other Disbursements	894,464	38,500	28,500	488,128	1,449,592
Total Disbursements	1,722,878	38,801	28,817	720,278	2,510,774
Cash Balance - End of Year	(27,693)	1,566	26,228	21,312	21,413
Total Amount to be Accounted for	\$ 1,695,185	\$ 40,367	\$ 55,045	\$ 741,590	\$ 2,532,187

See notes to financial statement.

Town of Terry

Notes to the Financial Statement

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The Town of Terry (the "Town") operates under a Mayor-Board of Alderman form of government. The accounting policies of the Town of Terry conform to laws of Mississippi for a municipality with a population of less than 3,000.

Basis of Accounting

All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund 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. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information (Budgetary Reporting), and other Supplemental Information.

In connection with the preparation of the financial statements, management of the Town evaluated subsequent events through March 19, 2015, which is the date the financial statements were available to be issued.

Basis of Presentation

The accounts of the Town of Terry are organized on the basis of funds, each of which is considered a separate accounting entity. The Town has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The financial statements outline both governmental activities of the Town and business-type activities. The governmental activities of the Town include police and fire protection, parks, recreation, public works, urban and economic development, and general administrative services. The business-type activities include the water and sewer system and its related projects.

The following funds and groups of accounts are used by the Town:

Governmental Activities Fund Types:

General Fund

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

Town of Terry

Notes to the Financial Statement

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Protection Fund

The fire protection fund is established to account for resources devoted to financing the fire protection of the Town and its citizens. Revenues and other sources of revenue specifically for this purpose are included in this fund. The fund is charged with all cost of operating fire protection for which a separate fund has not been established.

Cemetery Fund

The cemetery fund is established to account for resources devoted to the maintenance of the Town cemetery. Revenues and other sources of revenue specifically for this purpose are included in this fund. The fund is charged with all cost of cemetery maintenance for which a separate fund has not been established.

Business-Type Activities:

Proprietary Fund

These funds account for operations that are organized to be self-supporting through user charges. Included in the category are the water and sewer funds.

Cash and Cash Equivalents

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

Revenues and Expenditures/Expenses

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

Property Tax Revenues

Property taxes are levied on January 1 based on the assessed value of property per the County Tax Bills. Assessed values are approximation of market value. Property taxes are recognized as revenue when they are received.

Interfund Transactions

The Statement of Cash Receipt and Disbursements includes a total column. Interfund transactions have not been eliminated from the total column of this financial statement.

NOTE 2 – PROPERTY TAXES

The Town utilized the county tax rolls and values in assessing the ad valorem taxes on real and personal property within the Town boundaries. The Town's property taxes and personal auto taxes are collected and remitted to the Town by the Hinds County tax collector.

Property for which ad valorem taxes have not been paid is advertised for sale in April of each year. Property not sold at auction becomes the property of the State of Mississippi.

Town of Terry

Notes to the Financial Statement

NOTE 3 – CASH AND OTHER DEPOSITS

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The carrying amount of the Town's deposits with financial institutions was \$21,413.

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. 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 town. As of September 30, 2013, none of the Town's bank balances were exposed to custodial credit risk.

NOTE 4 – LONG-TERM DEBT

A summary of the long-term debt maturing by year over the next five years and amounts maturing thereafter as of September 30, 2013 are as follows:

September 30, 2014	\$	89,906
September 30, 2015		88,851
September 30, 2016		82,787
September 30, 2017		62,083
September 30, 2018		56,616
Thereafter		506,281
		<hr/>
	\$	886,524

NOTE 5 – 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. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and

Town of Terry

Notes to the Financial Statement

NOTE 5 – RISK MANAGEMENT (CONTINUED)

severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay claims up to \$1,000,000 per occurrence. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

The Town is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers liability claims against the Town. Each member of the MMLP contributes to a fund held in a trust account. The funds held in the trust account are used to pay claims up to \$500,000 per occurrence. The Town has not had an additional assessment for excess losses.

NOTE 6 – SUBSEQUENT EVENTS

Management of the Town of Terry has determined no subsequent events of a material nature requiring disclosure in the financial statements occurred through March 19, 2015, the date the financial statements were approved by management and thereby available to be issued.

Town of Terry

Schedule of Long-term Debts

Definition and Purpose	Balance Outstanding 10/1/2012	Transactions During Fiscal Year		Balance Outstanding 9/30/2013
		Issued	Payments	
Original amount \$23,608, payable \$523 a month at 3.09% interest. Final payment due November 2016. Due to Bancorp Equipment Finance. Collateral is the vehicle.	\$ -	\$ 23,608	\$ 4,681	\$ 18,927
Original amount \$29,570, payable \$656 a month at 3.09% interest. Final payment due August 2017. Due to Bancorp Equipment Finance. Collateral is the vehicle.	-	29,570	580	28,990
Original amount \$6,921 payable \$166 a month with final payment due March 2013. Capitalized lease with NEC Financial Services, Inc. Collateral is the equipment.	1,140	-	1,140	-
Original amount \$47,626, payable \$1,059 a month at 3.59% interest with final payment due October 2013. Due to Bancorp Equipment Finance. Collateral is the vehicle.	13,477	-	12,422	1,055
Original amount \$20,909, payable \$613 a month at 3.5% interest with final payment made September 2013. Due to Bancorp Equipment Finance. Collateral is the vehicle.	7,217	-	7,217	-
Original amount \$553,274, payable \$2,798 a month at 2% interest with final payment due July 2030. Due to State of Mississippi Economic Development. Collateral is sales tax collections.	508,484	-	22,915	485,569
Construction phase of loan from USDA. Limit \$320,000., For Firestation and Public Works Building Construction. Payable \$1,920 a month at 3.75% interest with final payment due August 2032. Due to USDA. Collateral is the Firestation/Public Works Building.	8,112	310,000	14,321	303,791
Original Amount \$34,073 payable \$758 a month at 3.24% interest with final payment due 6/25/16. Due to BancorpSouth. Collateral is the vehicle.	32,740	-	8,175	24,565
Original Amount \$33,689 payable \$749 a month at 3.24% interest with final payment due 6/25/16. Due to BancorpSouth. Collateral is the vehicle.	31,710	-	8,083	23,627
	\$ 602,880	\$ 363,178	\$ 79,534	\$ 886,524

Town of Terry

Schedule of Surety Bonds for Town Officials

Position	Surety	Bond Amount
Mayor	Western Surety	\$ 93,000
Town Clerk	Western Surety	118,000
Tax Collector	Western Surety	100,000
Chief of Police	Western Surety	100,000
Police Officers	Western Surety	10,000 ea
Aldermen	Western Surety	25,000 ea

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Town of Terry

Schedule of Expenditures of Federal Awards For the Year ended September 30, 2013

Year ended September 30, 2013

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grant - Passed Through from Mississippi Development Authority	14.228	\$ 82,825
U.S. DEPARTMENT OF AGRICULTURE		
Community Facilities Loans and Grants	10.766	306,731
DELTA REGIONAL AUTHORITY		
Delta Area Economic Development	90.201	<u>146,179</u>
Grand Total - All Programs		<u>\$ 535,735</u>

NOTES TO SCHEDULE:

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, as was used for the financial statement.



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

Board of Aldermen
Town of Terry
Terry, 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 Receipts and Disbursements of the governmental activities and the business-type activities of Town of Terry, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Terry's basic financial statements, and have issued our report thereon dated March 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement of Receipts and Disbursements, we considered the Town of Terry'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 Statement of Receipts and Disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Terry's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Terry's internal control.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies numbered 2013-01 through 2013-07 and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Terry'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 and which are described in the accompanying schedule of findings and responses as items 2013-04, 2013-05, 2013-06 and 2013-07.

The Town of Terry response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Terry, Mississippi's response 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.

Cary Riggs & Ingram, L.L.C.

Ridgeland, Mississippi
March 19, 2015

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

Board of Aldermen
Town of Terry
Terry, Mississippi

Report on Compliance for the Major Federal Program

We have audited the Town of Terry'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 Terry's major federal program for the year ended September 30, 2013. The Town of Terry's major federal program is identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Terry'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 Terry'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 the major federal program. However, our audit does not provide a legal determination of the Town of Terry's compliance.

Opinion on Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-08. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Town of Terry, 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 Terry'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 Terry'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. However, we identified certain deficiencies in internal control over compliance, that we consider to be significant deficiencies as described in Section 3 of the accompanying schedule of findings and questioned costs.

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

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
March 19, 2015

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Town of Terry

Schedule of Findings and Questioned Costs

For the year ended September 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified
Cash Basis

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified
not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified
not considered to be material weakness(es)? Yes

Type of auditors' report issued on compliance
for major programs Unqualified

Any audit findings disclosed that are required to be reported in
accordance with Circular A-133 (section .510 (a))? Yes

Identification of major program(s):

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings Yes

Section III - Federal Award Findings and Questioned Costs Yes

Section IV - Prior Findings and Questioned Costs Yes

Town of Terry

Schedule of Findings and Questioned Costs

For the year ended September 30, 2013

Section II - Financial Statement Findings

2013-01: Lack of Segregation of Duties

Finding

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 current size of the Town's work force limits the ability to employ adequate segregation of duties among the accounting functions. Most office duties are performed by the Town Clerk and the deputy clerk and they are segregated as much as possible.

Recommendation

Internal controls should be in place to require a segregation of duties among accounting functions. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

The Town should have a segregation of duties among accounting functions; however, we recognize the expenses of acquiring the additional employees might be prohibitive. The Mayor and Board of Aldermen should periodically review accounting functions to compensate for a lack of segregation of duties.

Response

The Town concurs with the recommendation.

2013-02: Lack of Knowledge to Prepare Financial Statements

Finding

The person responsible for the Town's accounting and reporting function lacks the skills and knowledge to prepare financial statements with full disclosures.

Recommendation

Evaluate the abilities of the current staff of the Town and provide continuing education when available to enhance the knowledge of the staff.

Response

The Town is unable to upgrade their personnel to a skill level necessary to eliminate this finding due to limited funding resources.

Town of Terry

Schedule of Findings and Questioned Costs

For the year ended September 30, 2013

2013-03: Accounting Records

The Town's accounting records were not maintained to reflect payments, deposits, and proper recording in the individual general ledger accounts.

The Town did not record disbursements and deposits in a timely manner.

Recommendation

The Town should ensure that they are properly recording transactions in the general ledger as they occur instead of waiting until the end of the month/year to record disbursements and deposits.

Response

The Town will take steps necessary to ensure that they are recording transactions in a timely manner.

2013-04: Fixed Assets

Section II of the Municipal Audit and Accounting Guide provides prescribed procedures for accounting for fixed assets. The Town does not maintain an adequate fixed asset ledger containing all information required under the Municipal Audit and Accounting Guide and Section 21-17-5, Miss. Code.

Recommendation

We recommend that the Town of Terry continue to update their accounting for fixed assets as it is prescribed in the Municipal Audit and Accounting Guide.

Response

The Town of Terry is currently working on updating their fixed assets subsidiary ledger in order to properly account for fixed assets.

2013-05: Budget

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 for monitoring budget status.

Town of Terry

Schedule of Findings and Questioned Costs

For the year ended September 30, 2013

As previously described in Finding 2013-03 the Town clerk was not in compliance with maintaining proper accounting records and was therefore unable to submit monthly financial reports that showed expenditures compared to each separate budget item or the unexpended balance of each budget item.

Recommendation

The Town should prepare a monthly report to the governing authorities reflecting expenditures incurred compared to the final amended budget amounts.

Response

The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

2013-06: Budget

The Town is required, by state statutes, to revise at the first meeting in July and every year thereafter, if it appears that budgeted revenues will not materialize as required by Section 21-35-25, Mississippi Code Ann. (1972).

The Town had budget overages in expenditure and revenue categories for the year ended.

Recommendation

The Town should ensure that all revenues and expenditures are within the final amended budget amounts.

Response

The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

2013-07: Disbursements

The Town's board is required, by state statutes, to approve all expenditures prior to disbursement per Section 31-7-13, Mississippi Code Ann. (1972).

The Town did not retain copies of the monthly board-approved vendor listing for disbursements.

Town of Terry

Schedule of Findings and Questioned Costs

For the year ended September 30, 2013

Recommendation

The Town should ensure that they are retaining the monthly board-approved vendor listing for all disbursements and that all disbursements are approved by the Board of Aldermen before issuance.

Response

The Town will take steps necessary to ensure that the board approval of monthly disbursements is retained and approved by the Board prior to issuance.

Section III - Federal Award Findings and Questioned Costs

2013-08: Reports Filed Timely

Finding Type: Significant Deficiency and Immaterial Noncompliance

Program Tested: Community Facilities Loans and Grants – CFDA #10.766

Questioned Cost: None

Criteria

In accordance with the reporting requirements for OMB Circular A-133, federal awarding agency regulations, and the terms and conditions of the award, reporting is due six months after year end.

Condition and Cause

During our testing it was determined that the annual audit in accordance with OMB Circular A-133 was not completed and submitted six months after year end.

Effect

Failure to file timely reporting could result in a material noncompliance finding.

Recommendation

We recommend that the Town implement additional control procedures to ensure that reporting is filed timely.

Name(s) of Contact Person(s) Responsible for Corrective Action:

Mr. Roderick Nicholson

Response

We now understand the reporting requirement and it is our intent to make all filings in a timely manner.

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Town of Terry

Prior Year Federal Awards Findings and Questioned Costs

Section IV – Prior Findings and Questioned Costs

Finding Title: Lack of Segregation of Duties
Reference Number(s): 2012-01
Initial Year of Finding: Year Ended September 30, 2010
Amount of Questioned Costs in Finding: \$0
Status of Questioned Costs: N/A
Program Name(s): N/A
Federal Grantor Agency: N/A
CFDA Number(s): N/A
Status of Finding: Not Corrected (see finding 2013-01)

Finding Title: Lack of Knowledge to Prepare Financial Statements
Reference Number(s): 2012-02
Initial Year of Finding: Year Ended September 30, 2010
Amount of Questioned Costs in Finding: \$0
Status of Questioned Costs: N/A
Program Name(s): N/A
Federal Grantor Agency: N/A
CFDA Number(s): N/A
Status of Finding: Not Corrected (see finding 2013-02)

Town of Terry

Prior Year Federal Awards Findings and Questioned Costs

Finding Title: Fixed Assets
Reference Number(s): 2012-03
Initial Year of Finding: Year Ended September 30, 2012
Amount of Questioned Costs in Finding: \$0
Status of Questioned Costs: N/A
Program Name(s): N/A
Federal Grantor Agency: N/A
CFDA Number(s): N/A
Status of Finding: Not Corrected (see finding 2013-04)

Finding Title: Budget
Reference Number(s): 2012-04
Initial Year of Finding: Year Ended September 30, 2012
Amount of Questioned Costs in Finding: \$0
Status of Questioned Costs: N/A
Program Name(s): N/A
Federal Grantor Agency: N/A
CFDA Number(s): N/A
Status of Finding: Not Corrected (see finding 2013-05)

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Town of Terry

Prior Year Federal Awards Findings and Questioned Costs

<i>Finding Title:</i>	Budget
<i>Reference Number(s):</i>	2012-05
<i>Initial Year of Finding:</i>	Year Ended September 30, 2012
<i>Amount of Questioned Costs in Finding:</i>	\$0
<i>Status of Questioned Costs:</i>	N/A
<i>Program Name(s):</i>	N/A
<i>Federal Grantor Agency:</i>	N/A
<i>CFDA Number(s):</i>	N/A
<i>Status of Finding:</i>	Not Corrected (see finding 2013-06)
<i>Finding Title:</i>	Disbursements
<i>Reference Number(s):</i>	2012-06
<i>Initial Year of Finding:</i>	Year Ended September 30, 2012
<i>Amount of Questioned Costs in Finding:</i>	\$0
<i>Status of Questioned Costs:</i>	N/A
<i>Program Name(s):</i>	N/A
<i>Federal Grantor Agency:</i>	N/A
<i>CFDA Number(s):</i>	N/A
<i>Status of Finding:</i>	Not Corrected (see finding 2013-07)



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To The Honorable Mayor and Aldermen
Town of Terry
Terry, Mississippi

We have audited the Statement of Cash Receipts and Disbursements (All Funds) of the Town of Terry as of and for the year ended September 30, 2013, and have issued our report thereon dated March 19, 2015. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. 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.

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 statement of cash receipts and disbursements disclosed the following material instance of noncompliance with state laws and regulations. Our findings and recommendation and your response is as follows:

Finding 1 - Fixed Assets

Section II of the Municipal Audit and Accounting Guide provides prescribed procedures for accounting for fixed assets. The Town does not maintain a fixed asset ledger. The Town does not maintain an adequate fixed asset ledger containing all information required under the Municipal Audit and Accounting Guide and Section 21-17-5, Miss. Code.

Recommendation

We recommend that the Town of Terry continue to update their accounting for fixed assets as it is prescribed in the Municipal Audit and Accounting Guide.

Response

The Town of Terry is currently working on getting their fixed assets subsidiary ledger in order to account for fixed assets.

Finding 2 - Budget

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 for monitoring budget status.

As previously described in Finding 2013-03 the Town clerk was not in compliance with maintaining proper accounting records and was therefore unable to submit monthly financial reports that showed expenditures compared to each separate budget item or the unexpended balance of each budget item.

Recommendation

The Town should ensure that all expenditures are within the final amended budget amounts.

Response

The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

Finding 3 - Budget

The Town is required, by state statutes, to revise at the first meeting in July and every year thereafter, if it appears that budgeted revenues will not materialize as required by Section 21-35-25, Mississippi Code Ann. (1972).

The Town had budget overages in expenditure and revenue categories for the year ended.

Recommendation

The Town should ensure that all revenues and expenditures are within the final amended budget amounts.

Response

The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

Finding 4 - Disbursements

The Town's board is required, by state statutes, to approve all expenditures prior to disbursement per Section 31-7-13, Mississippi Code Ann. (1972).

The Town did not retain copies of the monthly board-approved vendor listing for disbursements.

Recommendation

The Town should ensure that they are retaining the monthly board-approved vendor listing for all disbursements and that all disbursements are approved by the Board of Aldermen before issuance.

Response

The Town will take steps necessary to ensure disbursements are approved by the Board prior to issuance.

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

This report is intended for the information of the Mayor and Board of Aldermen and federal awarding agencies and pass-through entities 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.

Carly Riggs & Ingram, L.L.C.

Ridgeland, Mississippi
March 19, 2015

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