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FINANCIAL REPORT
TOWN OF DERMA
DERMA, MISSISSIPPI
SEPTEMBER 30, 2015

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RONNIE S. WINDHAM, CPA, PLLC

P.O BOX 159, OXFORD, MS 38655 (662) 281-1091 cell (662) 816-2562 fax (662) 269-4457

Member

American Institute of
Certified Public Accountants

Member

Mississippi State Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen

Town of Derma

Derma, Mississippi 38839

Report on the Financial Statements

We have audited the accompanying statement of cash receipts and disbursements – (all funds) cash basis of the Town of Derma for the year ended September 30, 2015.

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.

Auditor's 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

As described in Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements – (all funds) cash basis of the Town of Derma for the year ended September 30, 2015, on the basis of accounting described in Note A.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The supplementary information contained on pages 9, 10, and 11 is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the statements of cash receipts and disbursements – (all funds) cash basis and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2016, on our consideration of the Town of Derma'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 the testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Derma's internal control over financial reporting and compliance.

Ronnie S. Windham, CPA

Ronnie S. Windham, CPA

Oxford, Mississippi

August 19, 2016

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Town of Derma
Combined Statement of Cash Receipts & Disbursements
(All Funds) - Cash Basis
For the Year Ended September 30, 2015

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>	
	General	Water & Sewer	2014-2015	2013-2014
Cash Operating Receipts				
Taxes				
General Property	87,912		87,912	86,328
Penalties	1,105		1,105	1,346
Licenses & Permits				
Utility Franchise Tax	13,298		13,298	13,984
Licenses	3,211		3,211	1,232
Fines and Forfeits				
Fines and Forfeits	73,373		73,373	105,040
State Shared				
Sales Tax	98,325		98,325	60,331
Fire Protection	12,588		12,588	11,438
Municipal Aid	3,586		3,586	3,314
Misc Income	4,709		4,709	12,134
Enterprise Operations				
Water & Sewer Rev		333,034	333,034	333,324
Sanitation	-	59,173	59,173	55,805
Total Operating Receipts	<u>298,107</u>	<u>392,207</u>	<u>690,314</u>	<u>684,276</u>
Other Cash Receipts				
Interest	217	206	423	288
Grant Proceeds		435,723	435,723	72,393
Transfers	70,554	110,134	180,688	170,378
Total Other Cash Receipts	<u>70,771</u>	<u>546,063</u>	<u>616,834</u>	<u>243,059</u>
Total Cash Receipts	<u>\$ 368,878</u>	<u>\$ 938,270</u>	<u>\$ 1,307,148</u>	<u>\$ 927,335</u>

Town of Derma
Combined Statement of Cash Receipts & Disbursements
(All Funds) - Cash Basis
For the Year Ended September 30, 2015

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>	
Cash Operating Disbursements				
General	72,069		72,069	66,105
Public Safety				
Police	108,575		108,575	110,376
Fire	38,391		38,391	16,871
Streets	32,422		32,422	26,104
Recreation				
Parks	220		220	95
Enterprise				
Water & Sewer		254,996	254,996	206,963
Sanitation	-	59,140	59,140	48,694
Interest				
Total Operating Cash Disbursements	<u>251,677</u>	<u>314,136</u>	<u>565,813</u>	<u>475,208</u>
Other Cash Disbursements				
Interest		30,556	30,556	24,682
Principal Payments		19,136	19,136	48,722
Capital Expenditures		444,359	444,359	72,393
Transfers	<u>51,091</u>	<u>43,912</u>	<u>95,003</u>	<u>167,632</u>
Total Other Cash Disbursements	<u>51,091</u>	<u>537,963</u>	<u>589,054</u>	<u>313,429</u>
Total Cash Disbursements	<u>302,768</u>	<u>852,099</u>	<u>1,154,867</u>	<u>788,637</u>
Excess of Cash Receipts over (under) Cash Disbursements	<u>66,110</u>	<u>86,171</u>	<u>152,281</u>	<u>138,698</u>
Cash at Beginning of Year	354,793	584,222	939,015	800,317
Cash at End of Year	<u>420,903</u>	<u>670,393</u>	<u>1,091,296</u>	<u>939,015</u>

TOWN OF DERMA
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Town operates under the Mayor – Board of Alderman form of government and provides services as authorized by law.

Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

NOTE B: REPORT CLASSIFICATIONS

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

**Town of Derma
Schedule of Long Term Debt
Year Ended September 30, 2015**

Definition & Purpose	Balance 10/1/2014	Transaction Issued	During Year	Balance 9/30/2015
02-03-04, Rural Development	771,815		19,136	752,679
	771,815	-	19,136	752,679

TOWN OF DERMA
SCHEDULE OF SURETY BONDS
SEPTEMBER 30, 2015

Name	Position	Surety	Bond Amount
Joanna R. James	City Clerk	Western Surety	50,000
Joanna R. James	Clerk/Collector	Western Surety	50,000
Joanna R. James	Notary	Western Surety	5,000
Shirely W. Herrod	Office Assistant	Western Surety	50,000
Shane Childs	Deputy Clerk	Western Surety	50,000
Dock H. Gabbert	Mayor	Western Surety	25,000
Kendra Wright	Alderman	Travelers	10,000
A.G. Gibson	Alderman	Travelers	10,000
David Martin	Alderman	Travelers	10,000
Andrea Corbitt	Alderman	Travelers	10,000
Aretha Herrod	Alderman	Travelers	10,000
Stan Evans	Police Officer	Western Surety	50,000
Corey Alexander	Police Officer	Western Surety	50,000
Bryan Roberts	Police Officer	Western Surety	50,000
Tony Sockwell	Police Officer	Western Surety	50,000
Justin N. Robertson	Police Officer	Western Surety	50,000
Joshua S. Hughes	Police Officer	Western Surety	50,000

See Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

WITH STATE LAWS AND REGULATIONS

To the Mayor and Board of Aldermen

Town of Derma

Derma, Mississippi 38839

We have audited the statement of cash receipts and disbursements – (all funds) cash basis of the Town of Derma as of and for the year ended September 30, 2015, and have issued our report dated August 19, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town'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.,



Ronnie S. Windham, CPA

Oxford, Mississippi

August 19, 2016

RSW RONNIE S. WINDHAM, CPA, PLLC

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INDEPENDENT AUDITOR'S 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

To the Mayor and Board of Aldermen

Town of Derma

Derma, Mississippi 38839

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Derma, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Derma basic financial statements, and have issued our report thereon dated August 19, 2016.

Internal Control over Financial Reporting

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

 Ronnie S. Windham, CPA

Ronnie S Windham, CPA

Oxford, Mississippi

August 19, 2016

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