



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF TERRY

JOSEPH O. KENDRICK, JR.
MAYOR

ALDERMEN:

VIRGINIA BAILEY
TERRY JOHNSON
APRIL O. MILEY
RANDY SHEPHERD
CONNIE S. TAYLOR

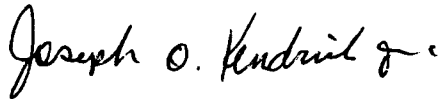
August 24, 2018

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

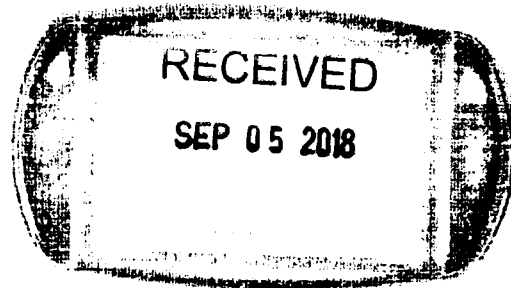
Re: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit of the town of Terry, Mississippi, for the fiscal year ended September 30, 2016. In connection with this audit, a separate management letter/independent auditor's report was written to the town. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,



Joseph O. Kendrick, Jr.
Mayor



9/5

TOWN OF TERRY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS

SEPTEMBER 30, 2016

TOWN OF TERRY, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	2-4
FINANCIAL STATEMENTS	5
Statement of Activities and Net Cash Position – Cash Basis	6-7
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental and Business-type Funds	8-10
Notes to Financial Statements	11-13
REQUIRED SUPPLEMENTARY INFORMATION	14
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	15
Notes to the Required Supplementary Information	16
OTHER REQUIRED SUPPLEMENTARY INFORMATION	17
Schedule of Changes in Long-term Debt	18
Schedule of Investments - All Funds	19
Schedule of Capital Assets	20
Schedule of Surety Bonds for Municipal Officials and Employees	21
SPECIAL REPORTS	22
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Auditor's Report on Compliance with State Laws and Regulations	25-27
SCHEDULE OF FINDINGS AND RESPONSES	28-30

RECEIVED
SEP 05 2013

TOWN OF TERRY, MISSISSIPPI

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Terry, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 on the basis of cash receipts and disbursements; 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 *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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Terry, Mississippi, as of September 30, 2016, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a 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 appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

The Town of Terry, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

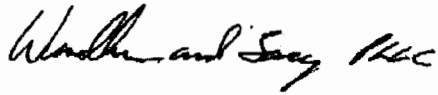
The Schedule of Changes in Long-term Debt, the Schedule of Investments-All Funds, the Schedule of Capital Assets, and the Schedule of Surety Bonds for Municipal Officials and Employees for the Town of Terry, Mississippi, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Requirements Required by Government Auditing Standards

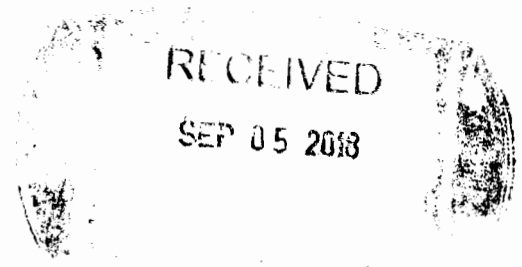
In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018, on our consideration of the Town of Terry, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 *Government Auditing Standards* in considering the Town of Terry, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the Town of Terry, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



Windham and Lacey, PLLC
July 31, 2018



TOWN OF TERRY, MISSISSIPPI

FINANCIAL STATEMENTS

TOWN OF TERRY

Statement of Activities and Net Cash Position - Cash Basis

As of and for the Year Ended September 30, 2016

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position					
		Cash Disbursements	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Functions/Programs										
Governmental Activities:										
General government	\$	394,128	61,072			(333,056)	(333,056)			
Public safety		182,354			6,817	(175,537)	(175,537)			
Public works		106,579		24,942		(81,637)	(81,637)			
Interest on long-term debt		11,685				(11,685)	(11,685)			
Total Governmental Activities		<u>694,746</u>	<u>61,072</u>	<u>24,942</u>	<u>6,817</u>	<u>(601,915)</u>	<u>0</u>	<u>(601,915)</u>		
Business-type Activities:										
Water, sewer and garbage		352,919	425,779				72,860	72,860		
Interest on long-term debt		16,529					(16,529)	(16,529)		
Miscellaneous			15,350				15,350	15,350		
Total Business-type Activities		<u>369,448</u>	<u>441,129</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,681</u>	<u>71,681</u>		
Total Government	\$	<u>1,064,194</u>	<u>502,201</u>	<u>24,942</u>	<u>6,817</u>	<u>(601,915)</u>	<u>71,681</u>	<u>(530,234)</u>		
General Receipts										
Taxes:										
Property taxes	\$					257,207		257,207		
Sales tax						351,621		351,621		
Franchise taxes						31,812		31,812		
Grants and contributions not restricted to specific programs						24,165		24,165		
Unrestricted investment income						26	31	57		
Proceeds from debt							30,000	30,000		
Miscellaneous						32,969		32,969		
Transfers in (out)						3,052	(3,052)			
Total General Receipts						<u>700,852</u>	<u>26,979</u>	<u>727,831</u>		
Change in Net Cash Position								98,937	98,660	197,597
Net Cash Position - Beginning								<u>79,223</u>	<u>71,200</u>	<u>150,423</u>
Net Cash Position - Ending								\$ <u>178,160</u>	<u>169,860</u>	<u>348,020</u>

TOWN OF TERRY
Statement of Activities and Net Cash Position - Cash Basis
As of and for the Year Ended September 30, 2016

(Continued)

ASSETS

Cash and cash equivalents	\$ 320,416
Restricted cash	<u>27,604</u>

Total Assets	\$ <u>348,020</u>
--------------	-------------------

NET CASH POSITION

Restricted:	
Restricted for debt service	\$ 8,637
Restricted for public safety	18,967
Unrestricted	<u>320,416</u>

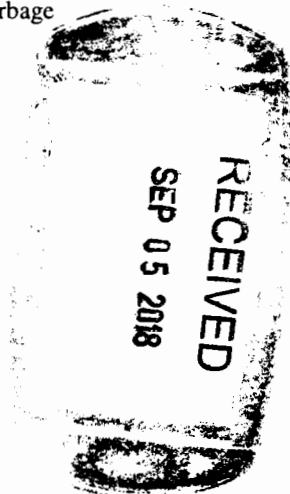
Total Net Cash Position	\$ <u>348,020</u>
-------------------------	-------------------

The notes to the financial statements are an integral part of this statement.

TOWN OF TERRY

**Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and For the Year Ended September 30, 2016**

	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>Major Funds</u>				<u>Major Fund</u>
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>	<u>Water, Sewer and Garbage Fund</u>
RECEIPTS					
Ad valorem taxes	\$ 257,207			257,207	
Franchise taxes on utilities	31,812			31,812	
License, permits, fines and fees	50,922		10,150	61,072	
Intergovernmental revenues:					
Federal revenues:					
Grants	24,942			24,942	
State shared revenues:					
Sales tax	351,621			351,621	
Homestead exemption reimbursement	11,739			11,739	
General municipal aid	530			530	
Gasoline tax	2,790			2,790	
Fire rebate	6,817			6,817	
Grand Gulf	8,205			8,205	
Liquor tax	900			900	
Miscellaneous	32,969			32,969	
Charges for services:					
Water, sewer and garbage					425,779
Miscellaneous					15,350
Interest income		9	17	26	31
Total Receipts	<u>780,454</u>	<u>9</u>	<u>10,167</u>	<u>790,630</u>	<u>441,160</u>

**(Continued)**

TOWN OF TERRY
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2016

	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>Major Funds</u>				<u>Major Fund</u>
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>	<u>Water, Sewer and Garbage Fund</u>
DISBURSEMENTS					
General government	\$ 377,209			377,209	
Public safety	166,551	226		166,777	
Public works	111,240		377	111,617	
Water, sewer and garbage					
Maintenance, repairs and sanitation fees					198,374
Utilities					70,306
Total Disbursements	<u>655,000</u>	<u>226</u>	<u>377</u>	<u>655,603</u>	<u>268,680</u>
Excess of Receipts Over (Under) Disbursements	<u>125,454</u>	<u>(217)</u>	<u>9,790</u>	<u>135,027</u>	<u>172,480</u>
OTHER CASH SOURCES (USES)					
Capital outlay equipment					(31,113)
Principal paid on loans and lease purchases	(27,457)			(27,457)	(53,126)
Interest paid on loans and lease purchases	(11,685)			(11,685)	(16,529)
Proceeds from debt					30,000
Transfers in (out) to other funds	<u>6,052</u>		<u>(3,000)</u>	<u>3,052</u>	<u>(3,052)</u>
Total Other Cash Sources and (Uses)	<u>(33,090)</u>	<u>0</u>	<u>(3,000)</u>	<u>(36,090)</u>	<u>(73,820)</u>

(Continued)

TOWN OF TERRY
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2016

	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>Major Funds</u>				<u>Major Fund</u>
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>	<u>Water, Sewer and Garbage Fund</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	92,364	(217)	6,790	98,937	98,660
CASH BASIS FUND BALANCE - Beginning of Year	<u>27,923</u>	<u>19,184</u>	<u>32,116</u>	<u>79,223</u>	<u>71,200</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 120,287</u>	<u>18,967</u>	<u>38,906</u>	<u>178,160</u>	<u>169,860</u>
CASH BASIS ASSETS - End of Year					
Cash and cash equivalents	\$ 120,287		38,906	159,193	161,223
Restricted cash		18,967		18,967	8,637
Total Cash Basis Assets	<u>\$ 120,287</u>	<u>18,967</u>	<u>38,906</u>	<u>178,160</u>	<u>169,860</u>
CASH BASIS FUND BALANCES - End of Year					
Restricted:					
Restricted for debt service	\$				8,637
Restricted for public safety		18,967		18,967	
Unassigned	<u>120,287</u>		<u>38,906</u>	<u>159,193</u>	<u>161,223</u>
Total Cash Basis Fund Balances	<u>\$ 120,287</u>	<u>18,967</u>	<u>38,906</u>	<u>178,160</u>	<u>169,860</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF TERRY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town operates under an alderman/mayor form of government and provides all of the rights and privileges provided by statute for municipalities.

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

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Cash Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental receipts, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Town combines the Statement of Activities and Statement of Net Cash Position.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are recorded when cash is spent.

The government reports the following major Governmental Funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire protection fund* accounts for activities for the fire protection of the town and its citizens.

The *cemetery fund* accounts for activities for the operations of the town cemetery.

TOWN OF TERRY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2016

The government reports the following major Proprietary Fund:

The *water, sewer and garbage fund* accounts for the activities of providing water, sewer, and garbage services to citizens of the Town.

Amounts reported as *program receipts* include (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

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

D. Assets and Net Assets or Equity.

1. *Cash and Investments.*

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

2. *Fund Equity.*

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Restricted - Includes fund balance amounts that are constrained for specific purposes which are internally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The Town has \$ 27,604 reported as restricted cash basis fund balances.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$348,020 and the bank balance was \$373,960. 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 Depositary Insurance Corporation.

TOWN OF TERRY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2016

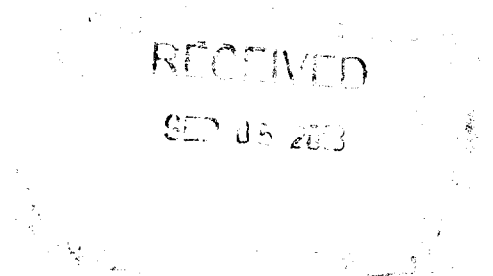
Custodial Credit Risk - Deposits and Investments: Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the 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 the behalf of the Town. As of September 30, 2016, none of the Town's bank balance of \$373,960 was exposed to custodial risk.

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

TOWN OF TERRY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF TERRY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Ad valorem taxes	\$ 298,615	298,615	257,207	(41,408)
Franchise taxes on utilities	40,000	40,000	31,812	(8,188)
License, permits, fines and fees	61,000	61,000	50,922	(10,078)
Intergovernmental revenues:				
Federal revenues:				
Grants			24,942	24,942
State shared revenues:				
Sales taxes	300,000	300,000	351,621	51,621
Homestead exemption reimbursement	11,000	11,000	11,739	739
General municipal aid	500	500	530	30
Gasoline tax	5,000	5,000	2,790	(2,210)
Fire rebate			6,817	6,817
Grand Gulf	8,000	8,000	8,205	205
Liquor tax	2,000	2,000	900	(1,100)
Insolvent income	1,000	1,000		(1,000)
Miscellaneous			32,969	32,969
Total Receipts	<u>727,115</u>	<u>727,115</u>	<u>780,454</u>	<u>53,339</u>
EXPENDITURES				
General government	309,900	309,900	377,209	67,309
Public safety	167,000	167,000	166,551	(449)
Public works	238,500	238,500	111,240	(127,260)
Total Expenditures	<u>715,400</u>	<u>715,400</u>	<u>655,000</u>	<u>(60,400)</u>
Excess of Receipts Over (Under) Expenditures	<u>11,715</u>	<u>11,715</u>	<u>125,454</u>	<u>113,739</u>
OTHER CASH SOURCES (USES)				
Principal paid on loan and lease purchase	(55,000)	(55,000)	(27,457)	27,543
Interest paid on loan and lease purchase			(11,685)	(11,685)
Transfers in (out) to other funds			6,052	6,052
Total Other Cash Sources and Uses	<u>(55,000)</u>	<u>(55,000)</u>	<u>(33,090)</u>	<u>21,910</u>
Net Change in Cash Basis Fund Balance	(43,285)	(43,285)	92,364	135,649
Cash Basis Fund Balances - Beginning	<u>27,923</u>	<u>27,923</u>	<u>27,923</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ (15,362)</u>	<u>(15,362)</u>	<u>120,287</u>	<u>135,649</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

TOWN OF TERRY, MISSISSIPPI

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

C. Budget Reconciliation.

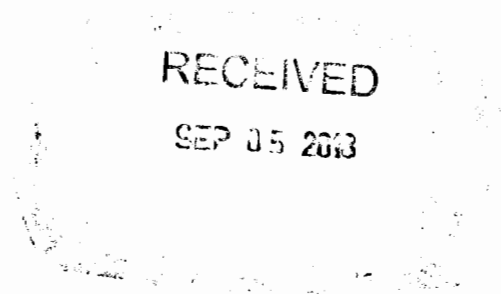
As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

TOWN OF TERRY, MISSISSIPPI

OTHER REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TERRY
Schedule of Changes in Long-term Debt - UNAUDITED
For the Year Ended September 30, 2016

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2015</u>	<u>Transactions During Fiscal Year</u>			<u>Outstanding Balance Sept. 30, 2016</u>
		<u>Issued</u>	<u>Redeemed</u>	<u>Adjustments</u>	
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.	\$ 8,739		6,614		2,125
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.	15,318		8,136		7,182
Original amount \$453,881, payable \$2,296 a month at 2.00% interest. Final payment due October, 2034. Due to State of Mississippi Development Authority.	434,757		16,442		418,315
Original amount \$533,274, 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.	431,850		28,771		403,079
Original amount of \$320,000 is payable \$1,920 a month at 3.75% interest with final payment due August, 2032. Due to USDA. Collateral is the Fire Station/Public Works Building.	278,746		11,879		266,867
Original amount \$34,073 payable \$758 a month at 3.24% interest with final payment due June 25, 3016. Due to BancorpSouth. Collateral is the vehicle.	7,442		7,442		
Original amount \$30,000 payable \$577 a month at 5.768% interest with final payment due June 01, 2021. Due to First Capital Equipment Leasing Government Obligation Contract		30,000	1,299		28,701
Total	\$ <u>1,176,852</u>	<u>30,000</u>	<u>80,583</u>	<u>0</u>	<u>1,126,269</u>



TOWN OF TERRY
Schedule of Investments - All Funds - UNAUDITED
September 30, 2016

	<u>Deposit Amount</u>
Certificate of Deposit with Regions Bank, maturing February 6, 2017. Interest rate 0.05%	\$ 23,643
Certificate of Deposit with Regions Bank, maturing December 8, 2016. Interest rate 0.05%	<u>53,006</u>
Total	\$ <u><u>76,649</u></u>
Fund Recap:	
Cemetery fund	\$ 23,643
Water, sewer and garbage fund	<u>53,006</u>
Total	\$ <u><u>76,649</u></u>

TOWN OF TERRY
Schedule of Capital Assets - UNAUDITED
For the Year Ended September 30, 2016

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Buildings	\$ 1,033,817			1,033,817
Machinery, equipment and vehicles	379,596			379,596
Furniture and fixtures	<u>31,123</u>			<u>31,123</u>
Total Governmental Activities Capital Assets	\$ <u>1,444,536</u>	<u>0</u>	<u>0</u>	<u>1,444,536</u>
Business-type Activities:				
Capital Assets:				
Water tanks, wells and lines	\$ 963,302			963,302
Sewer system	905,262	31,113		936,375
Machinery, equipment and vehicles	<u>55,265</u>			<u>55,265</u>
Total Business-type Activities Capital Assets	\$ <u>1,923,829</u>	<u>31,113</u>	<u>0</u>	<u>1,954,942</u>

TOWN OF TERRY
Schedule of Surety Bonds for Municipal Officials and Employees - UNAUDITED
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Coverage</u>
Virginia Bailey	Alderwoman	Travelers	\$ 25,000
April Owens	Alderwoman	Travelers	\$ 25,000
Connie Taylor	Alderwoman	Travelers	\$ 25,000
Bonnie Holly	Alderwoman	Travelers	\$ 25,000
Doris Young	Alderwoman	Travelers	\$ 25,000
Joseph Kendrick	Mayor	Travelers	\$ 50,000
Joseph Kendrick	Mayor (USDA Bond)	Travelers	\$ 18,000
Mary Smith	City Clerk	Travelers	\$ 50,000
Mary Smith	City Clerk (USDA Bond)	Travelers	\$ 18,000
Margaret Buckner	Deputy City Clerk	Travelers	\$ 50,000
Alexis Reed	Deputy City Clerk	Travelers	\$ 50,000
Tracie Davis	Deputy City Clerk	Travelers	\$ 50,000
Bracey Coleman	Police Chief	Travelers	\$ 50,000

TOWN OF TERRY, MISSISSIPPI

SPECIAL REPORTS

RECEIVED

SEP 05 2013

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
Town of 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Terry, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Terry, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 16-001 and 16-002 to be material weaknesses.

Compliance and Other Matters

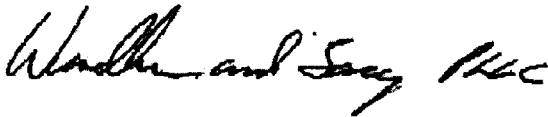
As part of obtaining reasonable assurance about whether the Town of Terry, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Town's Response to Findings

The Town of Terry, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Terry, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
July 31, 2018

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Terry, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated July 31, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with these requirements. 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 instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

Fixed Assets

As reported in the prior year, Section II of the Municipal Audit and Accounting Guide provides prescribed procedures for accounting for fixed assets. The Town does not maintain a completed 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 Ann. (1972).

Recommendation

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

Town of Terry's Response

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

2. Finding

Municipal Compliance Questionnaire

The Municipal Compliance Questionnaire and related certification was not completed and entered into the official minutes at the fiscal year-end as required by the Municipal Audit and Accounting Guide and Section 21-35-31, Miss. Code Ann. (1972).

Recommendation

We recommend that the Town of Terry complete the Municipal Compliance Questionnaire and related certification and enter it into the official minutes as required by the Municipal Audit and Accounting Guide and Section 21-35-31, Miss. Code Ann. (1972).

Town of Terry's Response

The Town of Terry is currently working on completing the Municipal Compliance Questionnaire and related certification and entering it into the official minutes.

3. Finding

Financial Records

The Town of Terry does not maintain the financial records in accordance with the chart of accounts prescribed by Section 21-35-11, Miss. Code Ann. (1972).

Recommendation

We recommend that the Town of Terry maintain the financial records in accordance with the chart of accounts prescribed by Section 21-35-11, Miss. Code Ann. (1972).

Town of Terry's Response

The Town of Terry is currently not in a position to maintain the financial records in accordance with the chart of accounts prescribed by Section 21-35-11, Miss. Code Ann. (1972).

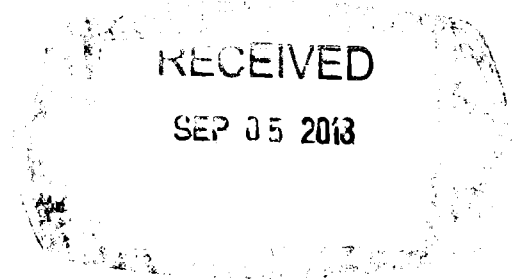
4. Finding

Solid Waste

The Town of Terry has not determined the full and complete cost for solid waste for the previous fiscal year required by Section 17-17-347, Miss. Code Ann. (1972), and the Town of Terry has not published an itemized report of all revenues, costs and expenses incurred by the Town of Terry during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system required by Section 17-17-348, Miss. Code Ann. (1972).

Recommendation

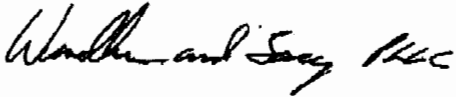
We recommend that the Town of Terry determine the full and complete cost for solid waste for the previous fiscal year required by Section 17-17-347, Miss. Code Ann. (1972), and the Town of Terry publish an itemized report of all revenues, costs and expenses incurred by the Town of Terry during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system required by Section 17-17-348, Miss. Code Ann. (1972).



Town of Terry's Response

The Town of Terry is not currently in a position to determine the full and complete cost for solid waste for the previous fiscal year required by Section 17-17-347, Miss. Code Ann. (1972), and therefore, the Town of Terry is not currently able to publish an itemized report of all revenues, costs and expenses incurred by the Town of Terry during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system required by Section 17-17-348, Miss. Code Ann. (1972).

This report is intended solely for the information and use of 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.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
July 31, 2018

TOWN OF TERRY, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF TERRY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

16-001. Finding

Significant Deficiency – Material Weakness

Lack of Segregation of Duties

As reported in the prior year, 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 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.

Town of Terry's Response

In FY 2016, the Town hired an accountant/bookkeeper deputy clerk to perform the financial aspects of the Town's activities and to report to the Board of Aldermen monthly financial statements, as reviewed by the Mayor and the Board.

TOWN OF TERRY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2016

16-002. Finding

Significant Deficiency - Material Weakness

Accounting Transfers

As reported in the prior year, the Town did not maintain supporting documentation for transfers between funds.

Recommendation

The Town should ensure all documentation to support the purpose of the transfer between funds be maintained whereby all transfers can be reviewed and approved.

Town of Terry's Response

The Town will take steps necessary to maintain documentation details in regards to transfers between funds.

