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CITY OF MARKS, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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MAR 17 2014

Bell & Associates, CPA
Certified Public Accountant
8 S. Michigan Ave., Suite 2016
Chicago, IL 60603

City of Marks, Mississippi

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor &
Members of the Board of Aldermen
City of Marks, Mississippi

I have audited the accompanying combined statement of cash receipts and disbursements (all funds) of the City of Marks, Mississippi (the City), as of and for the year ended September 30, 2012. This financial statement is the responsibility of the City of Marks Mississippi's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not presented financial statements in accordance with GASB S34, Basic Financial Statements, Management's Discussion and Analysis - for State and Local Governments, which require a Statement of Net Assets, Statement of Activities, Statement of Proprietary Funds, and a Statement of Cash Flows, among other required statements and supplementary information. Management records financial transactions on the cash receipts and disbursement basis (as allowed by the state auditor) as opposed to the accrual basis. Accordingly, management has no basis for the valuation of land, buildings, equipment, infrastructure (consisting of streets, roads, bridges, sidewalks, etc), nor adopted a methodology for compiling adequate subsidiary records documenting the existence, completeness and valuation of fixed assets required to be included in the statement of net assets. Management has not calculated or provided appropriate accumulated depreciation or depreciation expense or any provision for doubtful accounts related to court fines, or taxes receivables. Management did not amortize intangible assets, (loan/bond issuance costs) and omitted substantially all required disclosures. Management has not recorded nor disclosed certain debt disclosures required by accounting principles generally accepted in the United States of America. Therefore, I was unable to form an opinion as to completeness regarding revenues and expenses in the financial statement. Accounting principles generally accepted in the United States of America require that fixed assets, accumulated depreciation, depreciation expense, debt, loan/bond issuance costs and related provision for doubtful accounts be provided and that revenues and expenses be recorded on the accrual basis. Fixed assets, accumulated depreciation, depreciation expense, and related provision for doubtful accounts would increase the assets, net assets and expenses of the City. The amounts by which these departures would affect the assets, net assets, revenues and expenses on the financial statements are not reasonably determinable, but considered material.

In my opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statement referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Marks, Mississippi as of September 30, 2012, or the respective changes in financial position or cash flows thereof, for the year then ended.

In my opinion, the combined statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash balances of each fund of the City of Marks, Mississippi, as of September 30, 2012, and their respective cash receipts and disbursements for the year then ended, on the basis of accounting described in note A.

The City has not presented the management's discussion and analysis as required by GASB 34, Basic Financial Statements, Management's Discussion and Analysis - for State and Local Governments, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, I have also issued my report dated July 19, 2013, on my consideration of the City's internal control over financial reporting and my 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 my 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 and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements taken as a whole. The supplemental information described in the table of contents is presented for purposes of additional analysis and is not a required part of the combined statement of cash receipts and disbursements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined statement of cash receipts and disbursements and, in my opinion, are fairly stated in all material respects, in relation to the combined statement of cash receipts and disbursements taken as a whole.

Bell & Associates, CPA
Chicago, Illinois
July 19, 2013

City of Marks Mississippi
 Combined Statement of Cash Receipts and Disbursements (All Funds)
 For the fiscal year ended September 30, 2012

	General Fund	Special Revenue Fund	Water & Sewer Funds	Total	Final Revised 2012 Budget	Variance
Revenue Receipts:						
Auto Ad Valorem	\$ 52,956			\$ 52,956	\$ 29,000	\$ 23,956
Real property taxes	229,103			229,103	230,000	(897)
Penalties and interest-delinquent taxes	12,154			12,154	-	12,154
Franchise taxes-utilities	51,165			51,165	48,000	3,165
Intergovernmental Revenues:						
Federal grants			415,368	415,368	485,500	(70,132)
General municipal aid (State)	869			869	5,000	(4,131)
Homestead exemption	27,566			27,566	-	27,566
State Shared Revenues:						
Sales tax	196,997			196,997	230,000	(33,003)
Gasoline tax	4,744			4,744	-	4,744
Grand Gulf (nuclear plant)	16,071			16,071	20,000	(3,929)
Public safety				-	-	-
Alcoholic beverage licenses	1,800			1,800	1,000	800
State/county fire protection	9,042			9,042	5,400	3,642
County Shared Revenues:						
Road maintenance				-	-	-
Rail car tax				-	-	-
Privilege licenses/permits	7,049			7,049	7,000	49
Interest	257		327	584	-	584
Revenue bond receipts-Bunge	24,750			24,750	13,000	11,750
Rent	8,550			8,550	3,000	5,550
Miscellaneous	19,312		200	19,512	-	19,512
Charges for Services:						
Garbage	79,867			79,867	80,000	(133)
Water and sewer			293,311	293,311	256,000	37,311
Court fines & assessments	28,684			28,684	23,000	5,684
Grants:						
State grant	540			540	-	540
Total revenue receipts	771,476	-	709,206	1,480,682	1,435,900	44,782
Other receipts:						
Sale of bonds				-	-	-
Sale of fixed assets				-	1,500	(1,500)
Loan proceeds			929,308	929,308	-	929,308
Loans and transfers	108,537	127,150	-	235,687	42,644	193,043
Total other receipts	108,537	127,150	929,308	1,164,995	44,144	1,120,851
Total receipts	880,013	127,150	1,638,514	2,645,677	1,480,044	1,165,633
Cash Balances-Beginning of Year	186,608	-	887,239	1,073,847	186,000	887,847
Total Amount to Account For	1,066,621	127,150	2,525,753	3,719,524	1,666,044	2,053,480
Operating Disbursements:						
General government	94,442	-		94,442	102,345	(7,903)
Public Safety:						
Police	202,163			202,163	207,446	(5,283)
Court	40,354			40,354	43,950	(3,596)
Fire	49,086			49,086	39,700	9,386
Public Works	142,931			142,931	179,300	(36,369)
Culture & recreation	8,695			8,695	10,200	(1,505)
Solid waste	84,166			84,166	80,000	4,166
Intragovernmental	9,600			9,600	9,600	-
Miscellaneous	138,419			138,419	140,000	(1,581)
Building and plant				-	-	-
Enterprise:						
Water and sewer			133,067	133,067	269,887	(136,820)
Principle & interest on bonds			59,993	59,993	60,000	(7)
Paying agent fees on bonds				-	-	-
Utilities			43,504	43,504	46,000	(2,496)
Other				-	-	-
Total Operating Disbursements	769,856	-	236,564	1,006,420	1,188,428	(182,008)
Other Disbursements:						
Bonds retired				-	-	-
Notes paid				-	-	-
Capital outlay			1,366,351	1,366,351	455,500	910,851
Unrecorded bank reconciliation adjustments				-	-	-
Loans and transfers	127,150		108,537	235,687	-	235,687
Total Other Disbursements	127,150	-	1,474,888	1,602,038	455,500	1,146,538
Total Disbursements	897,006	-	1,711,452	2,608,458	1,643,928	964,530
Cash Balances-End of Year	169,615	127,150	814,301	1,111,066	22,116	1,088,950
Total Amount Accounted For	\$ 1,066,621	\$ 127,150	\$ 2,525,753	\$ 3,719,524	\$ 1,666,044	\$ 2,053,480

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City of Marks, Mississippi
Notes to the Financial Statements
For the year ended September 30, 2012

Note A: Summary of Significant Accounting Policies

General Information

The City operates under the Mayor/Board of Aldermen form of government and provides services as authorized by law.

Reporting Entity

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

Fund Accounting

The accounts of the City 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 rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Note B: Report Classifications

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

Note C: Contingent Liability-Litigation

The City may receive grants from state and governmental agencies that require compliance audits to determine whether grants were expended in accordance with the grants regulations. There is a probability that the city did not expend these grants in accordance with grant regulations.

Since these are cash basis financial presentation, no adjustment for any above matter is included herein.

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Chicago, IL 60603

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

Honorable Mayor
Members of the Board of Alderman
City of Marks, Mississippi

I have audited the combined statement of cash receipts and disbursements of the City of Marks, Mississippi ("the City") as of and for the year ended September 30, 2012, and have issued my report thereon dated July 19, 2013. I issued an adverse opinion in my report because the City did not value fixed assets, depreciation expense, accumulated depreciation, related court fines doubtful accounts, amortize loan issue costs, record debt and omitted substantially all required note disclosures for the year under audit. As a result, I was unable to form an opinion as to completeness regarding revenues and expenditures in the statement of cash receipts and disbursements. Except as discussed in the preceding two sentences, I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

Finding 2012-1 Management does not have adequate or appropriate bookkeeping/accounting experience on staff. In a small town, this function is normally performed by the Town's clerk.

Condition: Numerous incidences of double/backwards postings, posting to incorrect accounts or funds.

Criteria: Bookkeeping/accounting requires application of accounting principles generally accepted in the United States of America.

Effect: Financial information that is unreliable and increase audit cost.

Recommendation: Management should seek to hire a clerk that has some bookkeeping knowledge, or failing that, consider an outside accountant.

City's Response: The city's finances have not allowed us to acquire the most talented applicants as we may like.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider item 2012-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of law, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described as finding 2012-2 in the Compliance with State Laws and Regulations report attached.

The City's responses to the findings identified in my audit are described in its Corrective Action Plan. I did not audit the City's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, office of the State Auditor of the State of Mississippi, 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.

Bell & Associates, CPA

Chicago, IL
July 19, 2013

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**Town of Marks Mississippi
Schedule of Investments-All Funds
September 30, 2012**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Investment Cost/Value</u>
Governmental Fund Types					
Tobacco Grant 1/3	Certificate of deposit	0.10%	07/01/12	10/01/12	\$ 30,259.62
Tobacco Grant 6 Mth	Money Market	0.25%	09/10/12	03/10/13	37,257.69
Total Investments					\$ 67,517.31

City of Marks, Mississippi
Schedule of Long-Term Debt
For the fiscal year ended September 30, 2012

Definition and Purpose	Balance Outstanding 10/01/11	Transactions During Fiscal Year		Balance Outstanding 09/30/12
		Issued	Retired	
Revenue Bonds:				
Water & Sewer Junior Lien Revenue Bond, issued 4/9/02, matures 4/9/2037, 4.5% annual interest rate, \$6,903.02 principal & interest varies, original issue \$447,900, loan #8	\$ 393,947		\$ (8,767)	\$ 385,180
Water & Sewer Junior Lien Revenue Bond, original issue \$102,400 4.5% annual interest rate, issued 6/12/2000, matures 6/12/2035, principal & interest \$6,016.00/annually, loan #1	86,276		(2,178)	84,098
Water & Sewer Junior Lien Revenue Bond, original issue \$442,350, 4.5% annual interest rate, issued 6/12/00, matures 6/12/2035 principal & interest \$25,988.07/annually, loan #3	372,700		(9,411)	363,289
Water & Sewer System Revenue Bond, original issue \$28,500, 4.5% annual interest, issued 6/12/00, matures 6/12/2035 \$26,314.13/annual principal & interest pymts, loan #5	24,012		(608)	23,404
State of MS, Department of Economic Development, State Department of Health, Drinking Water Systems Improvements Revolving Loan Fund Pgrm, State Loan No. DWI-L600007-01-0 (loan incomplete at this date), \$1,070,086 authorized, \$486,977 principal to be forgiven, net loan amount to be \$583,109	122,511	929,308		1,051,819
TOTAL	<u>\$ 999,446</u>	<u>\$ 929,308</u>	<u>\$ (20,964)</u>	<u>\$ 1,907,790</u>

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City of Marks Mississippi
Schedule of Surety Bonds for Municipal Officials
For the year ended September 30, 2012

Names	Position	Company	Bond Amount	Effective Date	Expiration Date	Bond #
Joe Shegog, Jr.	Mayor	Clyde Scott Insurance Agency	\$ 50,000	07/06/09	07/06/13	105283974
Brenda Hopson	Alderman	Clyde Scott Insurance Agency	50,000	07/06/09	02/14/12	105283975
Joyce Houston	Alderman	Clyde Scott Insurance Agency	50,000	02/15/12	07/06/13	105705570
Timmy Jamison	Alderman	Clyde Scott Insurance Agency	50,000	07/06/09	07/16/13	105283976
James Figgs	Alderman	Clyde Scott Insurance Agency	50,000	07/06/09	07/16/13	105283977
Perry Campbell	Alderman	Clyde Scott Insurance Agency	50,000	07/06/09	07/16/13	105283978
J. Craig Gaddy	Alderman	Clyde Scott Insurance Agency	50,000	07/06/09	07/16/13	105283979
Marvin Furr	Police Chief	Clyde Scott Insurance Agency	50,000	07/01/12	07/01/13	105278773
Police's	Police Officer-(4)	Clyde Scott Insurance Agency	100,000	07/01/12	07/01/13	105278773
Tonia Survillion	City Clerk	Clyde Scott Insurance Agency	50,000	07/01/11	04/15/12	105278773
Pamela McNutt	City Clerk	Clyde Scott Insurance Agency	50,000	10/15/12	07/01/13	105278773
Teareather Keller	Court Clerk	Clyde Scott Insurance Agency	50,000	07/01/11	07/01/12	105278773
Chris Black	Court Clerk	Clyde Scott Insurance Agency	50,000	07/01/12	07/01/13	105278773

City of Marks, Mississippi
Schedule of Capital Assets
For the year ended September 30, 2012

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Prior Year Adjustments</u>	<u>Total</u>
Land	\$ 163,847				\$ 163,847
Land improvements					-
Buildings & Industrial Factories	2,156,446				2,156,446
Improvements other than buildings	1,090,151				1,090,151
Water & sewer system improvements		-			-
Equipment	954,665				954,665
Furniture & fixtures					-
Office equipment					-
Vehicles					-
Infrastructure					-
Construction in progress		1,116,495			1,116,495
Capital assets	<u>4,365,109</u>	<u>1,116,495</u>	<u>-</u>	<u>-</u>	<u>5,481,604</u>
Accumulated depreciation	-				-
Capital assets, net	<u>\$ 4,365,109</u>	<u>\$ 1,116,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,481,604</u>

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8 S. Michigan Ave., Suite 2016
Chicago, IL 60603**

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

Honorable Mayor and Board of Alderman
City of Marks
Marks, Mississippi

I have audited the Combined Statement of Cash Receipts and Disbursements of the City of Marks for the year ended September 30, 2012 and have issued my report dated July 19, 2013. I have conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the Combined Statement of Cash Receipts and Disbursements disclosed certain material instances of noncompliance with state laws and regulations as follow:

Finding 2012-2 The city did not comply with code section the legal publication requirement (Section 21-35-25).

Condition: The city did not comply with legal publication requirements when budgetary changes of 10% or more are made to a department's budget (section 21-35-25).

Criteria: Section 21-35-25 requires the city to publish its budget when budgetary changes of 10% or more are made to a department's budget.

Effect: The city did not comply with state law.

Recommendation: I recommend that the city comply with the state law.

City's Response: Personnel changes during the budget process allowed this policy to slip through the cracks. We will comply with the state law.

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

This report is intended for the information of the City of Marks 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.

Bell & Associates, CPA

Bell & Associates, CPA
Chicago, IL
July 19, 2013

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SUPPLEMENTAL INFORMATION