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TOWN OF MARION, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS

September 30, 2015

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JUN 20 2016

BARLOW, WALKER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
BRANDON, MISSISSIPPI

TOWN OF MARION, MISSISSIPPI

Table of Contents

For the Fiscal Year Ended September 30, 2015

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements:	
Statement of Activities and Net Position – Cash Basis	4
Statement of Cash Receipts, Disbursements and Changes in Net Position – Cash Basis – Governmental and Business-type Funds	5-6
Notes to Financial Statements	7-10
Required Supplementary Information:	
Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Basis) General Fund	11
Other Required Supplementary Information:	
Schedule of Cash on Hand	12
Schedule of Investments	13
Schedule of Long-term Debt	14
Schedule of State Municipal Fund Payments	15
Schedule of Surety Bonds for Municipal Officials and Employees	16
Supplemental Information:	
Schedule of Expenditures of Federal Awards	17
Special Reports:	
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 <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	20-21
Independent Auditor's Special Report on Compliance with Office of the State Auditor Requirements	22-23
Schedule of Findings and Questioned Costs	24

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Marion, Mississippi (the "Town"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Opinion

In our opinion, the financial statements referred to in the first paragraph 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 Marion, Mississippi as of September 30, 2015, 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The cash receipts and disbursements basis of accounting requires that the budgetary comparison information on page 11 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the cash receipts and disbursements basis of accounting, 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

Management has omitted management's discussion and analysis that the cash receipts and disbursements basis of accounting requires to be presented for purposes of additional analysis. 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marion, Mississippi's basic financial statements. The schedules of cash on hand, investments, long-term debt, state municipal fund payments, and surety bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules of cash on hand, investments, long-term debt, and state municipal fund payments and the schedule of expenditures of federal awards are responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedules of cash on hand, investments, long term debt, and state municipal fund payments and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of surety bonds has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016, on our consideration of the Town of Marion, 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 Marion, Mississippi's internal control over financial reporting and compliance.

Barlow, Walker & Company, P.A.

Brandon, Mississippi
June 14, 2016

TOWN OF MARION, MISSISSIPPI
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and For the Year Ended September 30, 2015

Functions / Programs	Program Cash Receipts				Net Position		Net Receipts (Disbursements) and Changes in
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General and administrative	\$ 246,678	\$ -	\$ -	\$ -	\$ (246,678)	\$ -	\$ (246,678)
Court	24,472	-	-	-	(24,472)	-	(24,472)
Public safety	302,045	-	-	-	(302,045)	-	(302,045)
Public services	76,540	-	-	-	(76,540)	-	(76,540)
Principal and interest on long-term debt	16,205	-	-	-	(16,205)	-	(16,205)
Total governmental activities	665,940	-	-	-	(665,940)	-	(665,940)
Business-type activities:							
Water and sewer	4,571,507	613,257	-	2,715,020	-	(1,243,230)	(1,243,230)
Sanitation	79,563	56,929	-	-	-	(22,634)	(22,634)
Principal and interest on long-term debt	1,619,024	-	-	-	-	(1,619,024)	(1,619,024)
Total business-type activities	6,270,094	670,186	-	2,715,020	-	(2,884,888)	(2,884,888)
Total government	\$ 6,936,034	\$ 670,186	\$ -	\$ 2,715,020	(665,940)	(2,884,888)	(3,550,828)
General receipts							
Taxes:							
Property taxes					353,166	30,770	383,936
Sales tax					214,726	-	214,726
Franchise fees					71,627	-	71,627
Alcoholic beverage tax					1,800	-	1,800
Municipal aid					4,897	-	4,897
Fire insurance rebate					8,047	-	8,047
Transfers					22,851	(22,851)	-
Interest income					770	141	911
Loan proceeds					-	2,862,723	2,862,723
Other					31,298	2,936	34,234
Total general receipts					709,182	2,873,719	3,582,901
Change in net position					43,242	(11,169)	32,073
Net Position - Cash Basis, Beginning of Year					413,253	392,850	806,103
Net Position - Cash Basis, End of Year					\$ 456,495	\$ 381,681	\$ 838,176

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

TOWN OF MARION, MISSISSIPPI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
As of and For the Year Ended September 30, 2015

	Governmental Activities		Business-type Activities		Total Governmental Funds
	General Fund	Fire Fund	Water Fund	Sanitation Fund	
RECEIPTS					
General property taxes	\$ 341,648	11,518	\$ -	\$ 30,770	\$ 383,936
Licenses and permits	5,215	-	-	-	5,215
Franchise taxes	71,627	-	-	-	71,627
Intergovernmental revenues:					
Federal revenues	-	-	2,715,020	-	2,715,020
State shared revenues:					
Sales tax	214,726	-	-	-	214,726
Alcoholic beverage tax	1,800	-	-	-	1,800
Municipal aid	4,897	-	-	-	4,897
Fire insurance rebate	-	8,047	-	-	8,047
Charges for services:					
Sanitation	-	-	-	56,929	56,929
Water and sewer	-	-	613,257	-	613,257
Fines and forfeits	15,065	-	-	-	15,065
Interest	745	25	74	67	911
Other	9,970	1,048	2,936	-	13,954
Total Receipts	665,693	20,638	3,331,287	87,766	4,105,384
DISBURSEMENTS					
General government	246,678	-	-	-	246,678
Court	24,472	-	-	-	24,472
Public safety	259,852	19,175	-	-	279,027
Public services	76,540	-	-	-	76,540
Enterprise:					
Water and sewer	-	-	393,262	-	393,262
Sanitation	-	-	-	79,563	79,563
Total Disbursements	607,542	19,175	393,262	79,563	1,099,542
Excess of Receipts over Disbursements	58,151	1,463	2,938,025	8,203	3,005,842

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

TOWN OF MARION, MISSISSIPPI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS - continued
As of and For the Year Ended September 30, 2015

	Governmental Activities		Business-type Activities		Total Governmental Funds
	General Fund	Fire Fund	Water Fund	Sanitation Fund	
OTHER CASH SOURCES (USES)					
Capital outlay	-	(23,018)	(4,178,245)	-	(4,201,263)
Principal paid on debt	(15,621)	-	(1,594,617)	-	(1,610,238)
Interest paid on debt	(584)	-	(24,407)	-	(24,991)
Proceeds from issuance of debt	-	-	2,862,723	-	2,862,723
Transfer in (out) to other funds	14,622	8,229	(22,851)	-	-
Total Other Cash Sources (Uses)	(1,583)	(14,789)	(2,957,397)	-	(2,973,769)
Excess (Deficiency) of Receipts and Other Cash Sources over (under) Disbursements and Other Cash Uses	56,568	(13,326)	(19,372)	8,203	32,073
FUND BALANCES - CASH BASIS, Beginning of Year	396,088	17,165	356,781	36,069	806,103
FUND BALANCES - CASH BASIS, End of Year	\$ 452,656	\$ 3,839	\$ 337,409	\$ 44,272	\$ 838,176
CASH BASIS ASSETS					
Cash and cash equivalents	\$ 452,656	\$ 3,839	\$ 337,409	\$ 44,272	\$ 838,176
Total Cash Basis Assets	\$ 452,656	\$ 3,839	\$ 337,409	\$ 44,272	\$ 838,176
FUND BALANCES - CASH BASIS, End of Year	\$ 452,656	\$ 3,839	\$ 337,409	\$ 44,272	\$ 838,176
Total Fund Balances - Cash Basis	\$ 452,656	\$ 3,839	\$ 337,409	\$ 44,272	\$ 838,176

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

6

TOWN OF MARION, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Marion, Mississippi, (“Town”) was incorporated in 1971. The Town operates under a Mayor-Board of Alderpersons 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 cash receipts and disbursements basis of accounting, 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 report information on all of the non-fiduciary activities of the Town. 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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *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*.

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

The government-wide financial statements and the governmental fund financial statements are reported using the cash receipts and disbursements basis of accounting, 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 Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for the activities of providing water and sewer services to citizens of the Town.

The **Sanitation Fund** is used to account for the activities of providing trash collection 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.

TOWN OF MARION, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

When both restricted and unrestricted cash is available for use, it is the Town's policy to use restricted cash first, then unrestricted cash as it is needed.

D. Assets and Net Position or Fund Balance

Cash and Certificates of Deposit

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

Net Position

Restricted net position – Consists of cash with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of "restricted."

Fund Balances

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

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The Town does not have any non-spendable fund balances.

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.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The Town does not have any committed fund balances.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by management other than the highest decision making authority of the Town. The Town does not have any assigned fund balances.

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

The Town uses restricted/committed 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.

TOWN OF MARION, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

Note 2 – Property Tax

Property taxes for fiscal year 2015 were levied in September 2014 on the assessed valuation of property located in the Town of Marion, Mississippi as of the preceding January 1, the lien date. Real property, personal property and automobile ad valorem taxes and certain road taxes are collected by the Lauderdale County tax collector and disbursed to the Town accordingly.

The tax rate levied by the Town for fiscal year 2015 was set at 33.05 mills to be allocated as follows: 29.28 mills for general fund, 2.77 mills for sanitation, and 1.00 mill for fire protection.

Note 3 – Cash and Certificates of Deposit

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 Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the Town'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.

As of September 30, 2015, the carrying amount of the Town's cash and certificate of deposit was \$778,138 and \$60,038, respectively. The bank balance was \$794,132 and \$60,038, respectively. The difference of \$15,994 includes outstanding checks and deposits.

Custodial Credit Risk - Deposits. 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. As of September 30, 2015, \$573,270 of the Town's bank balance of \$854,170 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds Guaranty Pool \$ 573,270

Interest Rate Risk. The Town does not have a formal investment policy that limits investment 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.

Note 4 -- Defined Benefit Pension Plan

Plan Description. The Town of Marion, Mississippi contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

TOWN OF MARION, MISSISSIPPI
Notes to the Financial Statements
September 30, 2015

Contributions. PERS members are required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the years ended September 30, 2015, 2014 and 2013 were \$48,993, \$43,142, and \$38,202, respectively, which is equal to the required contributions for each year.

Note 5 – Subsequent Events

Management has evaluated subsequent events through June 14, 2016, the date the financial statements were available to be issued, and found that there were no material subsequent events requiring adjustment or disclosure in the notes to the financial statements.

TOWN OF MARION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CASH BASIS
For the Year Ended September 30, 2015

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
RECEIPTS				
Property taxes	\$ 340,000	\$ 319,070	\$ 346,863	\$ 27,793
Licenses and permits	77,500	77,500	71,627	(5,873)
Federal grants	154,000	-	-	-
State grants	8,500	8,500	-	(8,500)
State shared	232,000	217,000	221,423	4,423
Other	22,100	25,030	25,780	750
Total Receipts	<u>834,100</u>	<u>647,100</u>	<u>665,693</u>	<u>18,593</u>
EXPENDITURES				
General government	207,100	227,100	246,678	(19,578)
Court	31,200	26,200	24,472	1,728
Public safety	301,565	258,565	259,852	(1,287)
Public services	111,735	118,735	76,540	42,195
Total Expenditures	<u>651,600</u>	<u>630,600</u>	<u>607,542</u>	<u>23,058</u>
Excess of Receipts over (under) Expenditures	<u>182,500</u>	<u>16,500</u>	<u>58,151</u>	<u>41,651</u>
OTHER CASH SOURCES (USES)				
Capital Outlay	(169,500)	(3,500)	-	3,500
Debt service	(25,000)	(25,000)	(16,205)	8,795
Transfers out	12,000	12,000	14,622	(2,622)
Total Other Cash Sources (Uses)	<u>(182,500)</u>	<u>(16,500)</u>	<u>(1,583)</u>	<u>(2,622)</u>
Net Change in Fund Balance - Cash Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,568</u>	<u>\$ 44,273</u>
Fund Balance - Cash Basis, Beginning of Year			<u>396,088</u>	
Fund Balance - Cash Basis, End of Year			<u>\$ 452,656</u>	

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

TOWN OF MARION, MISSISSIPPI
Schedule of Cash on Hand
For the Fiscal Year Ended September 30, 2015

Bank	Fund	Balance Per General Ledger
Citizens Bank	General Fund	\$ 452,656
Citizens Bank	Fire Fund	3,839
Citizens Bank	Water & Sewer Fund	277,371
Citizens Bank	Sanitation Fund	44,272
		<u>\$ 778,138</u>

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TOWN OF MARION, MISSISSIPPI
Schedule of Investments
For the Fiscal Year Ended September 30, 2015

<u>Investment</u>	<u>Fund</u>	<u>Balance Per</u> <u>General Ledger</u>
Certificate of Deposit, .25%, dated July 23, 2015, matures July 23, 2016	Water & Sewer Fund	\$ 60,038

TOWN OF MARION, MISSISSIPPI
Schedule of Changes in Long-Term Debt
For the Fiscal Year Ended September 30, 2015

	Interest Rate	Final Maturity Date	Balance Outstanding 10/1/2014	Issued in Fiscal Year 2015	Redeemed in Fiscal Year 2015	Balance Outstanding 9/30/2015
Governmental Activities:						
Ally Financial	5.39%	10/2015	\$ 9,909	\$ -	\$ 7,133	\$ 2,776
Ally Financial	5.39%	10/2015	9,285	-	8,488	797
Business-type Activities:						
State of Mississippi - Drinking Water Systems Systems Improvement Revolving Loan	4.00%	7/2020	304,109	-	52,133	251,976
Mississippi Development Authority - Sewer Improvement Loan	2.00%	9/2029	348,029	-	18,785	329,244
US Department of Agriculture Rural Development Loan	2.125%	4/2050	-	1,351,000	10,976	1,340,024
First State Bank - Line of Credit	2.08%	11/2015	-	1,351,000	1,351,000	-
First State Bank - Line of Credit	2.08%	4/2015	-	161,723	161,723	-
Total			<u>\$ 671,332</u>	<u>\$ 2,863,723</u>	<u>\$ 1,610,238</u>	<u>\$ 1,924,817</u>

TOWN OF MARION, MISSISSIPPI
Schedule of State Municipal Fund Payments
For the Fiscal Year Ended September 30, 2015

Payment Purpose	General Receiving Fund	Ledger Amount
Sales Tax Allocation	General Fund	\$ 214,726
Homestead Exemption Reimbursement	General Fund	\$ 12,274
Homestead Exemption Reimbursement	Fire Fund	\$ 416
Homestead Exemption Reimbursement	Sanitation Fund	\$ 1,164
Gasoline Tax	General Fund	\$ 4,897
Liquor Privilege Tax	General Fund	\$ 1,800

TOWN OF MARION, MISSISSIPPI
Schedule of Surety Bonds for Town Officials
For the Fiscal Year Ended September 30, 2015

Position	Company	Bond
Mayor/Alderspersons (\$50,000 each)	MS Municipal Bond Program	\$ 300,000
Town Clerk	Travelers	\$ 50,000
Chief of Police	Travelers	\$ 50,000
Policemen (19 @ \$25,000 each)	Travelers	\$ 475,000
Deputy Clerks (2 @ \$50,000 each)	Travelers	\$ 100,000
Court Clerk	Travelers	\$ 50,000
Water Operator	Travelers	\$ 50,000

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TOWN OF MARION, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

<u>Federal Agency/Pass-through Entity/Program Title</u>		<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	*	10.760	\$ 2,293,900
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community Development Block Grant State's Program	*	14.228	<u>421,120</u>
Total Federal Awards			<u>\$ 2,715,020</u>

* Denotes major federal award program

Notes to Schedule

1 The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Marion, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Barlow, Walker & Company, P.A.

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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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information Town of Marion, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Marion, Mississippi's basic financial statements, and have issued our report thereon dated June 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Marion, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Marion, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Marion, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Marion, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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. However, this report is a matter of public record and its distribution is not limited.

Barlow, Walker & Company, P.A.

June 14, 2016
Brandon, Mississippi

Barlow, Walker & Company, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Marion, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2015. The Town of Marion, Mississippi's major federal programs are 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 of the Town of Marion, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Marion, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Marion, Mississippi, 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 programs for the year ended September 30, 2015.



Report on Internal Control Over Compliance

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

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

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

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

Barlow, Walker & Company, P.A.

June 14, 2016

Brandon, Mississippi

Barlow, Walker & Company, P.A.

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INDEPENDENT AUDITOR'S SPECIAL REPORT ON COMPLIANCE WITH OFFICE OF THE STATE AUDITOR REQUIREMENTS

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

We have audited the financial statements of the Town of Marion, Mississippi ("Town") as of and for the year ended September 30, 2015, and have issued our report dated June 14, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 2015-1 Reporting Requirement:

While efforts have been taken by the Town to take an inventory of fixed assets and compile an accurate listing, the Town has not maintained a complete and accurate accounting of fixed assets. The Board of Aldermen is responsible for the custody of its assets. This protective custody cannot be accomplished without complete and accurate records.

Recommendation:

The Town should continue to take efforts to update the accounting of fixed assets and ensure that a complete and accurate accounting of fixed assets is maintained.

Response:

The Board of Aldermen along with the Mayor and Town Clerk plan to continue compiling an accurate and complete accounting of fixed assets in order to be compliant in future years.

Finding 2015-2 Depositories Requirement:

The Town has not complied with the requirement to select depositories certified by the State Treasurer for not more than a two-year term.



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Recommendation:

The Board of Aldermen should take efforts to comply with the requirement that specifies that municipalities should select depositories for not more than a two-year term. Those depositories must meet capital requirements and be certified by the State Treasurer and securities must be pledged to the State Treasurer in a manner to ensure adequate collateralization.

Response:

The Town Clerk along with the Mayor and Board of Aldermen are taking efforts to comply with the depositories requirements.

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

This report is intended for the information of the 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.

Barlow, Walker & Company, P.A.
Brandon, Mississippi
June 14, 2016

TOWN OF MARION, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|----------------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | <u>No</u> |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | <u>None Reported</u> |
| 5. Type of auditor's report issued on compliance for major federal programs: | <u>Unmodified</u> |
| 6. Any audit findings reported as required by Section __.510(a) of Circular A-133? | <u>No</u> |
| 7. Federal programs identified as major programs: | |
| U.S. Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA #10.760. | |
| U.S. Department of Housing and Urban Development/Community Development Block Grant, CFDA #14.228 | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>No</u> |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | <u>No</u> |

Section 2: Findings - Financial Statement Audit

No matters were reported.

Section 3: Findings and Questioned Costs – Major Federal Award Programs Audit

No matters were reported.

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