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CITY OF MARKS, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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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, 2010. 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 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, 2010, 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, 2010, 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 September 27, 2011, 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 have 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.

Charles Buchanan, CPA

Jackson, MS

December 27, 2010

(Reissued) September 27, 2011

City of Marks Mississippi
 Combined Statement of Cash Receipts and Disbursements (All Funds)
 For the fiscal year ended September 30, 2010

	General Fund	Special Revenue Fund	Water & Sewer Funds	Total	Budget 2009	Variance
Revenue Receipts:						
General property taxes	\$ 293,259	\$ -	\$ -	\$ 293,259	\$ 296,000	\$ (2,741)
Franchise taxes-utilities	58,605			58,605	63,700	(5,095)
Intergovernmental Revenues:						
Federal sources	-			-	58,000	(58,000)
General municipal aid (State)	44,018			44,018	5,000	39,018
State Shared Revenues:						
Sales tax	258,386			258,386	250,000	8,386
Gasoline tax				-		-
Grand Gulf	20,676			20,676	47,000	(26,324)
Public safety	8,447			8,447	8,200	247
Alcoholic beverage licenses	900			900	1,000	(100)
Fire insurance premiums	6,600			6,600	5,400	1,200
County Shared Revenues:						
Licenses and permits	17,072			17,072	13,800	3,272
Interest	215	(9)		206	-	206
Rent	4,350			4,350	3,000	1,350
Miscellaneous	31,572			31,572	-	31,572
Charges for Services:						
Garbage	81,184			81,184	80,000	1,184
Water and sewer			295,937	295,937	1,346,500	(1,050,563)
Grants:						
Home grants	17,071		111,880	128,951	20,000	108,951
Total revenue receipts	842,355	(9)	407,817	1,250,163	2,197,600	(947,437)
Other receipts:						
Sale of fixed assets				-	1,500	(1,500)
Loans and transfers	(22,514)	47,514	(25,000)	-	95,552	
Total other receipts	(22,514)	47,514	(25,000)	-	97,052	
Total receipts	819,841	47,505	382,817	1,250,163	2,294,652	(1,044,489)
Cash Balance-Beginning of Year	223,889	1,831	821,383	1,047,103	51,000	996,103
Total Amount to Account For	1,043,730	49,336	1,204,200	2,297,266	2,345,652	(48,386)
Operating Disbursements:						
General government	122,343			122,343	126,546	(4,203)
Public Safety:						
Police	262,375			262,375	-	262,375
Fire	26,109			26,109	36,700	(10,591)
Highways and Streets	150,267			150,267	184,138	(33,871)
Culture & Recreation	17,176			17,176	19,500	(2,324)
Court expenses	36,893			36,893	41,076	(4,183)
Solid waste departments(garbage)	82,598			82,598	80,000	2,598
Inter-governmental	9,600			9,600	9,600	-
Miscellaneous	172,567			172,567	154,000	18,567
Enterprise:						
Water and sewer			108,209	108,209	273,576	(165,367)
Principle & interest on bonds		48,815	35,522	84,337	52,520	31,817
Paying agent fees on bonds		521		521	388	133
Utilities			46,965	46,965	28,000	18,965
Other			43,281	43,281	-	43,281
Total Operating Disbursements	879,928	49,336	233,977	1,163,241	1,006,044	157,197
Other Disbursements:						
Notes paid			60,000	60,000	102,456	(42,456)
Capital outlay	410		29,289	29,699	958,011	(928,312)
Total Other Disbursements	410	-	89,289	89,699	1,060,467	(970,768)
Total Disbursements	880,338	49,336	323,266	1,252,940	2,066,511	(813,571)
Cash Balance-End of Year	163,392	-	880,934	1,044,326	279,141	765,185
Total Amount Accounted For	\$ 1,043,730	\$ 49,336	\$ 1,204,200	\$ 2,297,266	\$ 2,345,652	\$ (48,386)

See notes to the financial statements

City of Marks, Mississippi
Notes to the Financial Statements
For the year ended September 30, 2010

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.

**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, 2010, and have issued my report thereon dated September 27, 2011. 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 2010-1 The City Has Not Adopted GASB-Statement 34, Basic Financial Statements, Management's Discussion and Analysis - for State and Local Governments

Condition: The City records its financial statement on the cash basis of accounting as allowed by State law.

Criteria: Although the State of Mississippi State Auditor allows the City to prepare cash basis financial statements if it meets certain criteria, the local government is still required to report under GASB-S34, requiring accrual basis financial statements.

Effect: The City does not report fixed assets/depreciation, receivables/allowances, and debt among many other omissions, and report certain receipts as revenues as opposed to debt, or certain disbursements as expenses as opposed to debt reduction.

Recommendation: We recommend the City hire or procure a service with accounting knowledge to prepare basic financial statements.

City's Response: The City's budget has not allowed it to procure such services and we expect to continue using the cash basis.

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 2010-1 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 2010-1 above.

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.

Charles Buchanan, CPA
Jackson, MS
September 27, 2011

SUPPLEMENTAL INFORMATION

City of Marks, Mississippi
Schedule of Investments-All Funds
For the year ended 09/30/2010

<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>
Water & Sewer	Certificate of Deposit	1.00%	08/05/09	08/05/10	\$ 714,070
General Fund	Certificate of Deposit	0.60%	09/01/09	10/01/09	30,153
Total Investments					\$ 744,223

See notes to the financial statements

City of Marks, Mississippi
Schedule of Long-Term Debt
For the fiscal year ended September 30, 2010

Definition and Purpose	Balance Outstanding 10/01/09	Transactions During Fiscal Year		Balance Outstanding 09/30/10
		Issued	Redeemed	
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	\$ 408,362	\$ -	\$ (6,032)	\$ 402,330
Water & Sewer Junior Lien Revenue Bond, original issue \$102,400 4.5% annual interest rate, issued 6/12/00, matures 6/12/2035, principal & interest \$6,016.00/annually	89,858		(1,499)	88,359
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	388,173	-	(6,477)	381,696
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	25,009		(417)	24,592
\$500,000 General Obligation Bond, Series 1996, original issue \$500,000, issued 6/10/96, matures 5/1/11,	90,000	-	(45,000)	45,000
TOTAL	\$ 1,001,402	\$ -	\$ (59,426)	\$ 941,976

City of Marks Mississippi
Schedule of Surety Bonds for Municipal Officials
For the year ended September 30, 2010

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	07/16/13	105283975
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	07/01/10	07/01/11	105278773
Police's	Police Officer-(4)	Clyde Scott Insurance Agency	100,000	07/01/10	07/01/11	105278773
Tonia Survillion	City Clerk	Clyde Scott Insurance Agency	50,000	07/01/10	07/01/11	105278773
Teareather Keller	Court Clerk	Clyde Scott Insurance Agency	50,000	07/01/10	07/01/11	105278773
		Total	\$ 550,000			

City of Marks, Mississippi
Schedule of Capital Assets
For the year ended December 31, 2010

	<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
Equipment	954,665				954,665
Furniture & fixtures					-
Office equipment					-
Vehicles					-
Infrastructure					-
Construction in progress					-
Capital assets	<u>4,365,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,365,109</u>
Accumulated depreciation	-				-
Capital assets, net	<u>\$ 4,365,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,365,109</u>

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**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, 2010 and have issued my report dated January 31, 2011. 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 no material instances of noncompliance with state laws and regulations.

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.

Charles Buchanan, CPA
Charles Buchanan, CPA
Jackson, MS
December 27, 2010
(Reissued) September 27, 2011