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City of Lumberton

102 E. Main Street
P.O. Box 211
Lumberton, MS 39455
601-796-8341

Ben Winston

Mayor

Merlene Wall

City Clerk

Alderwoman-at-Large

Cora Rogers

Aldermen

Kent Crider

Jay M^cGraw

Quincy Rogers

Tommy Dukes

September 23, 2013

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

Re: Annual Municipal Audit FYE 9/30/12

Dear Sir:

Accompanying this letter is a copy of the annual audit of the City of Lumberton, Mississippi, for the fiscal year ended September 30 2012. A separate management letter was not written to the City in connection with this audit.

Sincerely,

Merlene Wall
City Clerk

Mpw

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CITY OF LUMBERTON, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

We were engaged to audit the accompanying statement of cash receipts and disbursements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lumberton, Mississippi, for the year ended September 30, 2012 and the related notes to the financial statement. This financial statement and the related notes are the responsibility of the City of Lumberton, Mississippi's management.

Our responsibility is to express opinions on this financial statement based on an audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Because of inadequacies in the City of Lumberton, Mississippi's accounting records, we were unable to form an opinion regarding cash receipts totaling \$132,565 for governmental activities, reported in the categories of licenses and permits, fines and forfeitures, and miscellaneous receipts, and cash receipts totaling \$504,073 for business-type activities, reported in the categories of charges for services and miscellaneous receipts in the accompanying statement of cash receipts and disbursements. We were unable to form an opinion regarding cash disbursements for personnel costs totaling \$462,754 and \$162,635 for governmental activities and business-type activities, respectively, included in the functional expenditure categories of the General Fund, Water and Sewer Operation and Maintenance Fund, and the Solid Waste Fund in the accompanying statement of cash receipts and disbursements. Because the City's Official Board Minute Book was not complete, we did not have access to official actions or proceedings of the board for the months of September 2012 through December 2012. As discussed in Note 1, the City of Lumberton, Mississippi prepares its financial statement on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

Because of the significance of the matter described in the preceding paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement referred to in the first paragraph.

We were engaged for the purpose of forming opinions on the financial statement of the City of Lumberton, Mississippi. The supplemental information section is prepared for purposes of additional analysis and is not a required part of the basic financial statement. The supplemental information section has not been subjected to auditing procedures and accordingly, we do not express an opinion or provide any assurance on it.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
August 28, 2013

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EXHIBIT A

CITY OF LUMBERTON, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>GOVERNMENTAL ACTIVITIES</u>		
	<u>General Fund</u>	<u>CDBG Project Fund</u>	<u>Other Governmental Funds</u>
RECEIPTS:			
Property taxes	\$ 419,472	\$ -	\$ -
Sales taxes	179,047	14,008	-
Licenses and permits	97,909	-	-
Fines and forfeitures	23,013	-	2,150
Intergovernmental revenues:			
Community Development Block Grants	-	310,096	-
Transportation grants	-	98,623	-
Airport improvement grants	4,387	-	-
County-shared road and bridge taxes	57,747	-	-
Other state-shared revenues	51,274	-	-
Charges for services:			
Water and sewer	-	573	-
Solid waste collections	-	-	-
Airport rentals and leases	-	-	16,375
Interest earnings	413	135	22
Miscellaneous	9,493	-	-
Total receipts	<u>842,755</u>	<u>423,435</u>	<u>18,547</u>
DISBURSEMENTS:			
General government	259,467	-	-
Public safety	494,381	-	500
Public works	113,728	408,822	-
Culture and recreation	35,713	-	-
Enterprise:			
Water and sewer	-	-	-
Solid waste collections	-	-	-
Debt service:			
Principal payments	9,482	-	-
Interest and fiscal charges	841	-	-
Total disbursements	<u>913,612</u>	<u>408,822</u>	<u>500</u>
Excess (deficiency) of receipts over disbursements	<u>(70,857)</u>	<u>14,613</u>	<u>18,047</u>

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

BUSINESS-TYPE ACTIVITIES			
Total Governmental Funds	Water & Sewer Operation and Maintenance Fund	Solid Waste Collections Fund	Total Enterprise Funds
\$ 419,472	\$ -	\$ -	\$ -
193,055	-	-	-
97,909	-	-	-
25,163	-	-	-
310,096	-	-	-
98,623	-	-	-
4,387	-	-	-
57,747	-	-	-
51,274	-	-	-
573	366,397	-	366,397
-	14,247	122,497	136,744
16,375	-	-	-
570	198	54	252
9,493	932	-	932
<u>1,284,737</u>	<u>381,774</u>	<u>122,551</u>	<u>504,325</u>
259,467	-	-	-
494,881	-	-	-
522,550	-	-	-
35,713	-	-	-
-	206,758	-	206,758
-	-	134,885	134,885
9,482	188,276	11,416	199,692
841	32,175	943	33,118
<u>1,322,934</u>	<u>427,209</u>	<u>147,244</u>	<u>574,453</u>
<u>(38,197)</u>	<u>(45,435)</u>	<u>(24,693)</u>	<u>(70,128)</u>

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EXHIBIT A
PAGE TWO

CITY OF LUMBERTON, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>GOVERNMENTAL ACTIVITIES</u>		
	<u>General Fund</u>	<u>CDBG Project Fund</u>	<u>Other Governmental Funds</u>
<i>OTHER FINANCING SOURCES (USES)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>(70,857)</u>	<u>14,613</u>	<u>18,047</u>
<i>CASH BASIS FUND BALANCE</i>			
Beginning of year	155,621	10,821	5,557
Prior period adjustment	63,330	-	-
Beginning of year - as restated	<u>218,951</u>	<u>10,821</u>	<u>5,557</u>
<i>CASH BASIS FUND BALANCE - ENDING</i>	<u>\$ 148,094</u>	<u>\$ 25,434</u>	<u>\$ 23,604</u>

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

<u>BUSINESS-TYPE ACTIVITIES</u>			
<u>Total Governmental Funds</u>	<u>Water & Sewer Operation and Maintenance Fund</u>	<u>Solid Waste Collections Fund</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ -	\$ -
<u>(38,197)</u>	<u>(45,435)</u>	<u>(24,693)</u>	<u>(70,128)</u>
171,999	164,272	19,325	183,597
63,330	6,601	6,999	13,600
<u>235,329</u>	<u>170,873</u>	<u>26,324</u>	<u>197,197</u>
<u>\$ 197,132</u>	<u>\$ 125,438</u>	<u>\$ 1,631</u>	<u>\$ 127,069</u>

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NOTES TO FINANCIAL STATEMENT

CITY OF LUMBERTON, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lumberton, Mississippi (the City) is a municipal corporation governed by an elected mayor and a five-member governing board of aldermen. The accompanying financial statement presents the primary government which includes all funds for which the government is considered to be financially accountable.

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

The financial statement is reported using the basis of cash receipts and disbursements, as prescribed by the Mississippi Office of the State Auditor, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

The financial statement provides information about the City's funds. Major individual governmental and proprietary funds are reported as separate columns in the financial statement. Any remaining governmental and proprietary funds are aggregated and reported as other funds.

Governmental Activities

The City reports the following major governmental funds:

General Fund - serves as the primary operating fund of the City. It accounts for all financial resources and legally authorized activities of the City's general government, except those accounted for in other specialized funds.

CDBG Project Fund - used primarily to account for projects funded by Community Development Block Grants. During fiscal year 2012, disbursements from this fund also paid for the Highway 11 Relocation Project funded by a state transportation grant.

Additionally, the City reports the following fund type:

Special revenue funds - used to account for the proceeds of specific revenue source that are legally restricted to expenditures for specified purposes.

Business-type Activities

The City reports the following major proprietary funds:

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CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Water & Sewer Operation and Maintenance Fund - used to account for the provision for water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and debt related service, and billing and collection of user fees.

Solid Waste Collections Fund - used to account for solid waste services provided to the residents of the City. All necessary activities are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and debt related service.

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

C. Report Classifications

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

D. Property taxes

Property taxes are levied at a board meeting held in September for the ensuing fiscal year which begins on October 1st. Real property taxes become a lien on January 1st of the current year, and personal property taxes become a lien on March 1st of the current year. Taxes on both real and personal property, however, are due on or before February 1st of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. Property taxes are considered past due 30 days after the respective lien dates, at which time the applicable property is subject to the assessment of additional penalties and interest.

CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT
PAGE THREE
YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments is as follows:

<u>Explanation</u>	<u>Governmental Activites</u>	<u>Business-Type Activites</u>
To adjust beginning cash for deposit-in-transit	\$ 33,395	\$ 6,601
To adjust beginning cash for fine revenue	8,425	-
To adjust beginning cash for cash bond liabilities	21,510	-
To adjust beginning cash for accounts payable transaction not processed	-	6,999
Totals	\$ 63,330	\$ 13,600

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NOTE 3 - CASH

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Cash

Presented below is a summary of the City's cash balances at September 30, 2012:

	<u>Unrestricted Cash</u>	<u>Restricted Cash</u>	<u>Total</u>
Governmental Activities:			
General fund	\$ 147,066	\$ 1,028	\$ 148,094
CDBG project fund	-	25,434	25,434
Airport improvement fund	-	17,267	17,267
Asset forfeitures fund	-	5,373	5,373
Unemployment compensation fund	-	964	964
Total governmental activities	<u>147,066</u>	<u>50,066</u>	<u>197,132</u>
Business-type activities:			
Water and sewer operation and maintenance fund	37,528	87,910	125,438
Solid waste collections fund	<u>1,631</u>	-	<u>1,631</u>
Total business-type activities	<u>39,159</u>	<u>87,910</u>	<u>127,069</u>
Total government-wide cash	\$ 186,225	\$ 137,976	\$ 324,201

Net cash overdraft held in agency fund clearing accounts was \$(9,881) at September 30, 2012. The cash overdraft is attributed to amounts due to the Accounts Payable Clearing Account from other funds.

CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2012

NOTE 3 - CASH (Cont.)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. The collateral for public entities' deposits in financial institutions is 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). 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 behalf of the City.

As of September 30, 2012, the carrying amount of the City's deposits with financial institutions was \$324,201, and the bank balance was \$442,772. Presented below is a schedule of the amount collateralized by securities held in the State of Mississippi collateral pool on behalf of the City:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the City	\$ 442,772
Amounts held at various financial institutions covered under Federal Depository Insurance	<u>-</u>
	<u>\$ 442,772</u>

CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT
PAGE FIVE
YEAR ENDED SEPTEMBER 30, 2012

NOTE 4 - CAPITAL LEASE

The City entered into a lease purchase agreement as lessee for financing the acquisition of a dump truck used for solid waste collection services. The agreement with BancorpSouth Equipment Finance requires monthly payments of \$1,030 with an interest rate of 3.47%, maturing on June 15, 2014. The dump truck serves as collateral for the lease purchase agreement. Presented below are the principal and interest payments outstanding for the capital lease:

Business-type activities:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 11,819	\$ 540
2014	9,137	133
Total	\$ 20,956	\$ 673

NOTE 5 - PROPRIETARY FUNDS - LONG-TERM DEBT

During fiscal year 1979, the City issued the Series 1979 Water and Sewer Revenue Bonds the proceeds of which were used for water and sewer system improvements. These bonds are secured by the net revenues of the Water and Sewer System and, pursuant to pertinent bond documents, are not considered to be general obligation indebtedness of the City. These bonds are amortized at a 5.00% interest rate with monthly payments in the amount of \$1,875, with a final maturity date of January 20, 2014 and payable as follows:

<u>Year Ending September 30,</u>	<u>1979 Water and Sewer Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 22,233	\$ 1,066
2014	9,488	121
Total	\$ 31,721	\$ 1,187

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CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2012

NOTE 5 - PROPRIETARY FUNDS - LONG-TERM DEBT (Cont.)

During fiscal year 1996, the City financed construction of eligible pollution control projects under the State of Mississippi Department of Environmental Quality's (DEQ) State Revolving Loan Fund (SRF) Programs authorized under Mississippi Code Section 49-17-18, et seq. in the amount of \$2,436,478. This resulted in a SRF Loan payable to the State of Mississippi that is amortized at a 3.75% interest rate with monthly payments of \$15,659 being remitted to the State Treasury with the final payment due August 8, 2015. These loans are subject to applicable SRF Regulations that call for this debt to be repaid from system operating revenues and the loan is secured by revenue intercept provisions contained in the loan documents. Long-term debt requirements for the SRF loan are as follows:

<u>Year Ending September 30,</u>	<u>State Revolving Fund Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 168,275	\$ 19,630
2014	176,006	11,899
2015	168,432	3,813
Total	<u>\$ 512,713</u>	<u>\$ 35,342</u>

During fiscal year 2007, the City executed a note payable to the Mississippi Development Authority (MDA) that was finalized as "CAP Loan" #06-241-CP-01 in order to finance sewer improvements in the amount of \$56,640 pursuant to the City's 2006 Capital Improvements Revolving Loan application. This loan was authorized under the Mississippi Capital Improvements Act, Section 57-1-301 and is secured by revenue intercept provisions contained in the loan documents. Under the terms of the loan agreement, the City is to repay this debt in monthly amounts of \$298 to be amortized at a 2.00% interest rate with the final payment due July 1, 2029. Long-term debt requirements for CAP Loan #06-241-CP-01 are as follows:

<u>Year Ending September 30,</u>	<u>CAP Loan Number 06-241-CP-01</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,779	\$ 1,092
2014	2,619	954
2015	2,672	901
2016	2,726	847
2017	2,781	792
2018 - 2022	14,769	3,095
2023 - 2027	16,321	1,543
2028 - 2029	6,872	145
Total	<u>\$ 51,539</u>	<u>\$ 9,369</u>

CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED SEPTEMBER 30, 2012

NOTE 5 - PROPRIETARY FUNDS - LONG-TERM DEBT (Cont.)

During fiscal year 2008, the City executed a note payable to the Mississippi Development Authority (MDA) that was finalized as "CAP Loan" #06-241-CP-02 in order to finance sewer improvements in the amount of \$169,763 pursuant to the City's 2006 Capital Improvements Revolving Loan application. This loan was authorized under the Mississippi Capital Improvements Act, Section 57-1-301 and is secured by revenue intercept provisions contained in the loan documents. Under the terms of the loan agreement, the City is to repay this debt in monthly amounts of \$859 to be amortized at a 2.00% interest rate with the final payment due February 1, 2028. Long-term debt requirements for CAP Loan #06-241-CP-02 are as follows:

<u>Year Ending September 30,</u>	<u>CAP Loan Number 06-241-CP-02</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 8,273	\$ 2,891
2014	7,798	2,508
2015	7,955	2,351
2016	8,116	2,190
2017	8,279	2,027
2018 - 2022	43,967	7,558
2023 - 2027	48,591	2,938
2028	4,945	21
Total	<u>\$ 137,924</u>	<u>\$ 22,484</u>

NOTE 6 - GOVERNMENTAL FUNDS - LONG-TERM DEBT

During fiscal year 2009, the City executed a note payable with BancorpSouth in the amount of \$48,728 for the purchase of a fire pumper truck. This note is amortized at a 4.25% interest rate with annual payments in the amount of \$10,323, with the final payment due September 13, 2013. The fire pumper truck serves as collateral for the note. Long-term debt requirements for the note are as follows:

<u>Year Ending September 30,</u>	<u>Fire Pumper Truck Note</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 9,936	\$ 422

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CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED SEPTEMBER 30, 2012

NOTE 7 - PROPERTY TAX

The City levies taxes annually based upon assessed valuations. Real property, personal property and automobile ad valorem taxes and certain road taxes are collected by the Lamar and Pearl River County tax collectors and disbursed to the City accordingly.

The tax rate levied by the City for fiscal year 2012 was 48.49 mills. The City allocated the property tax per \$100 of assessed value for the year at \$4.85 to the General Fund.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate paid for the period of October 1, 2011 - June 30, 2012 was 12.93% and for the period of July 1, 2012 - September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ended September 30, 2012, 2011 and 2010 were \$70,141, \$63,192, and \$71,398, respectively, equal to the required contributions for each year.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the following two risk pools to provide coverage for possible losses due to these risks:

Mississippi Municipal Workers' Compensation Group - This pool was formed under the Mississippi Workers' Compensation Act to provide coverage for claims arising from injuries to employees. The City is jointly and severable liable for obligations of the group.

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CITY OF LUMBERTON, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE NINE

YEAR ENDED SEPTEMBER 30, 2012

NOTE 9 - RISK MANAGEMENT (cont.)

Mississippi Municipal Liability Plan - This pool was formed under inter-local agreements for the purpose of providing the liability coverage prescribed by the Plan for member municipalities. The pool uses a service company to manage the Plan's day-to-day activities.

The City pays premiums based upon an actuarial assessment of the City's loss experience rate and the Plan's overall financial condition. The City may be assessed if, at any time, the assets of the Plan, in the opinion of the Board of Trustees, are insufficient to discharge its obligations.

The City is party to various legal proceedings which normally occur in governmental operations. While the City cannot predict the results of any litigation, legal counsel for the City believes that it has meritorious defenses for those actions, proceedings and claims, or they are without merit or are of such kind, or involve such amounts, that unfavorable dispositions not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

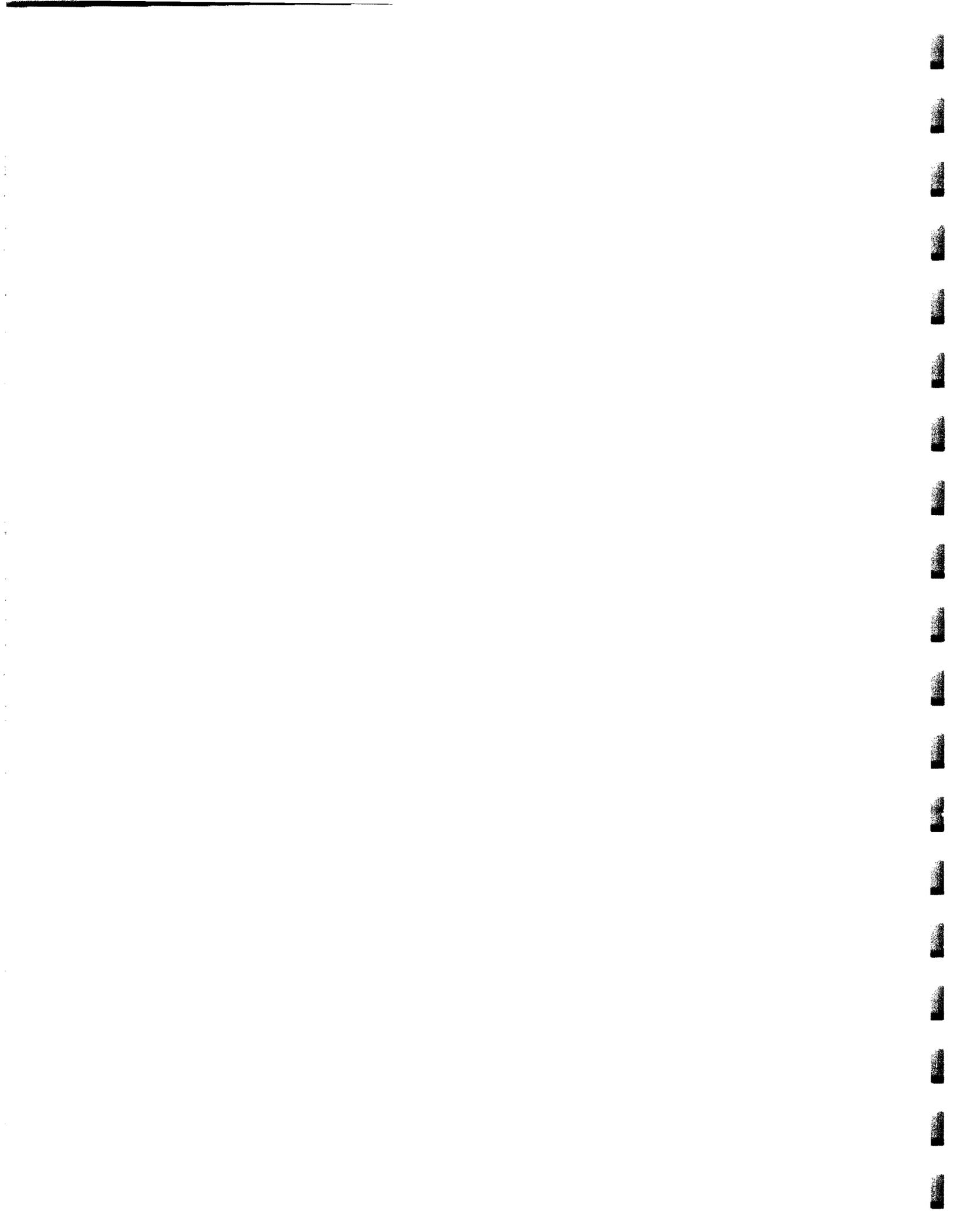
NOTE 10 - CONTINGENCIES

The City participates in various federal and state grant programs, the principal of which are programs funded by the U. S. Department of Housing and Urban Development. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 - SUBSEQUENT EVENTS

In July 2013, the newly elected governing authorities of the City were informed that they were unable to obtain reliable budgetary information for the 2013 fiscal year. A contract certified public accountant was engaged in order to assist in the City's efforts to record cash receipts and disbursements and provide current budget to actual reports to determine the status of the City's adopted budgets and cash position.

In connection with preparation of this financial statement, management has evaluated subsequent events through August 28, 2013, which is the date these financial statements were available to be issued. There have been no significant subsequent events to report as of the date previously stated.



SUPPLEMENTAL INFORMATON



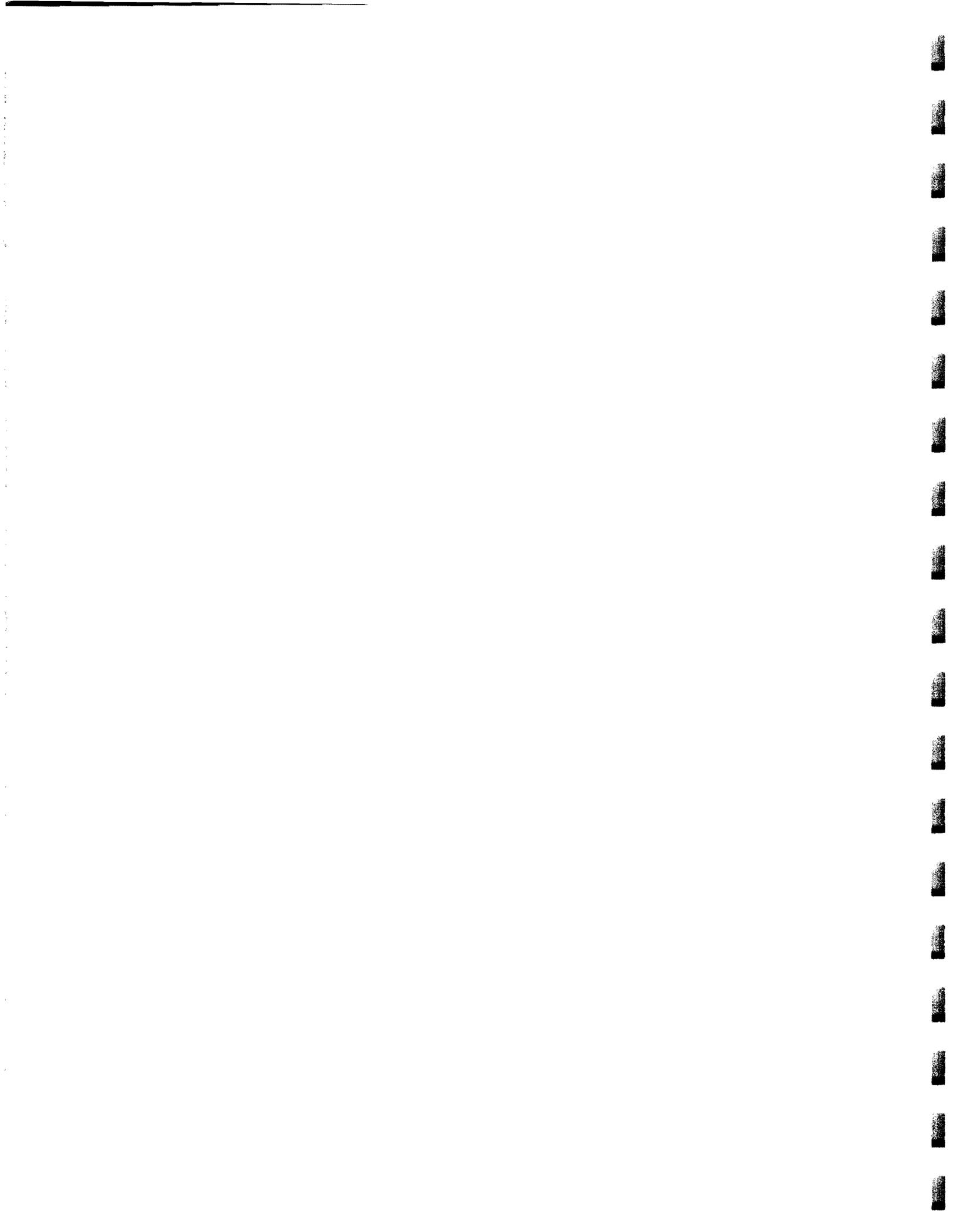
SCHEDULE 1

CITY OF LUMBERTON, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT
YEAR ENDED SEPTEMBER 30, 2012

SEP 25 2013
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	Balance	Transactions During Fiscal Year			Balance
	Outstanding October 1, 2011	Issued	Redeemed	Adjustments	Outstanding September 30, 2012
Notes Payable:					
BancorpSouth	\$ 19,418	\$ -	\$ (9,482)	\$ -	\$ 9,936
MDEQ State Revolving Loan C280819-01-3	674,077	-	(161,364)	-	512,713
MDA Capital Improvement Loan 06-241-CP-01	54,044	-	(2,306)	(199)	51,539
MDA Capital Improvement Loan 06-241-CP-02	145,380	-	(6,860)	(596)	137,924
Revenue Bonds Payable:					
1979 Water & Sewer Revenue Bonds	49,467	-	(17,746)	-	31,721
Capital lease payable:					
BancorpSouth Equipment Finance Company	32,372	-	(11,416)	-	20,956
Total long-term debt	<u>\$ 974,758</u>	<u>\$ -</u>	<u>\$ (209,174)</u>	<u>\$ (795)</u>	<u>\$ 764,789</u>



SCHEDULE 2

CITY OF LUMBERTON, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2012**

<u>NAME</u>	<u>POSITION</u>	<u>SURETY</u>	<u>BOND AMOUNT</u>
Miriam R. Holder	Mayor	Travelers	\$ 50,000
Bobby Gibson	Alderman	Travelers	50,000
Kent Crider	Alderman	Travelers	50,000
Hugh J. McGraw	Alderman	Travelers	50,000
Quincy Rogers	Alderman	Travelers	50,000
Timothy Johnson	Alderman	Travelers	50,000
Elsie Cowart	Chief of Police	Travelers	50,000
Stephanie C. Mullings	City Clerk	Travelers	50,000
Sue Guidry	Water Billing Clerk	Travelers	50,000

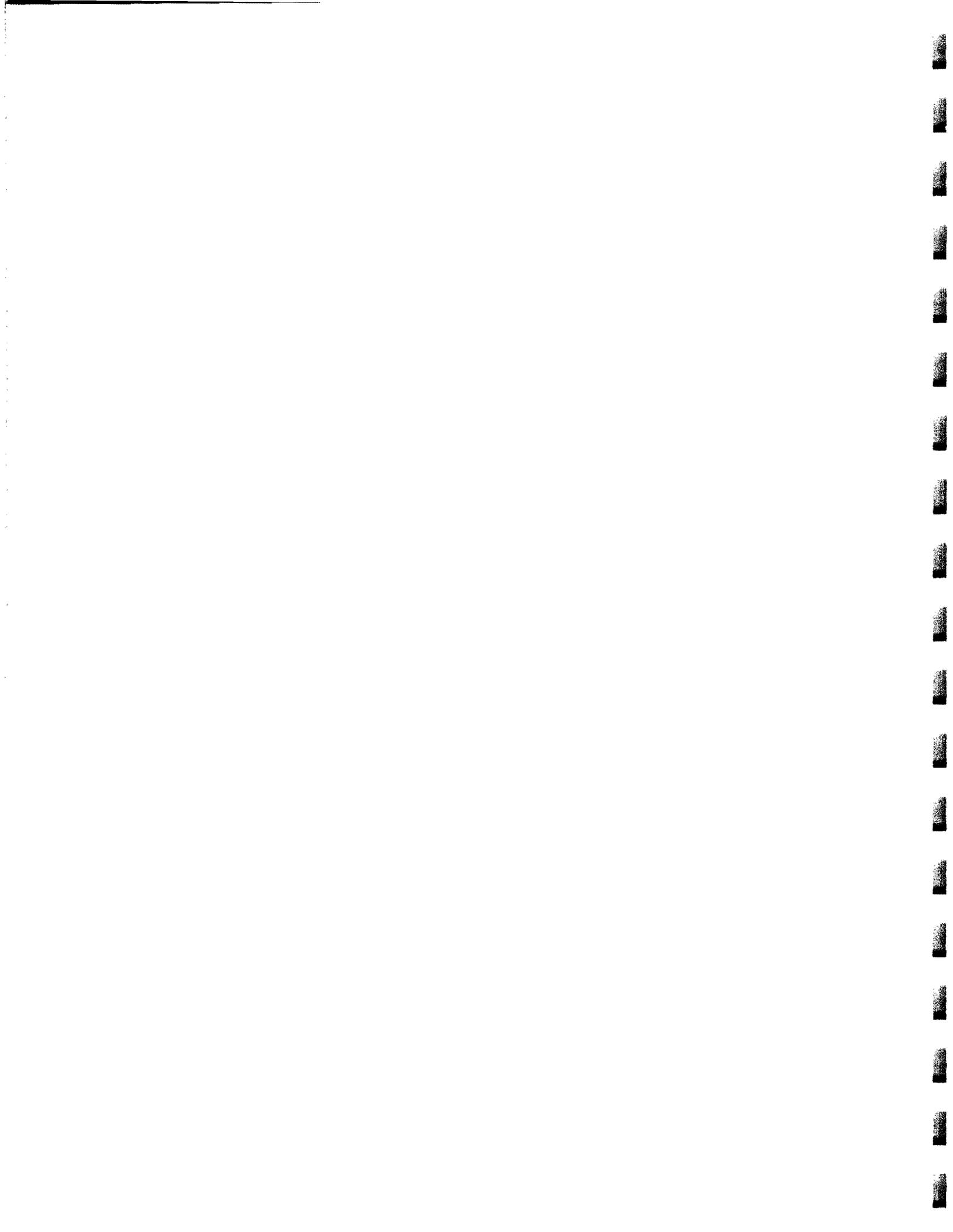


SCHEDULE 3

CITY OF LUMBERTON, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 118,199	\$ -	\$ -	\$ 118,199
Buildings and improvements	3,842,198	-	-	3,842,198
Equipment and furniture	<u>288,689</u>	<u>-</u>	<u>-</u>	<u>288,689</u>
Total governmental activities capital assets	<u>\$ 4,249,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,249,086</u>
Business-type activities:				
Capital assets:				
Land	\$ 17,757	\$ -	\$ -	\$ 17,757
Buildings and improvements	25,439	-	-	25,439
Machinery and equipment	260,587	-	-	260,587
Water and sewer system	<u>5,464,173</u>	<u>-</u>	<u>-</u>	<u>5,464,173</u>
Total business-type activities capital assets	<u>\$ 5,767,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,767,956</u>



STATE COMPLIANCE SECTION



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

To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

We were engaged to audit the statement of cash receipts and disbursements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lumberton, Mississippi for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, and have issued our report thereon dated August 28, 2013.

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 the 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 of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information disclosed the following instances of noncompliance with laws and regulations:

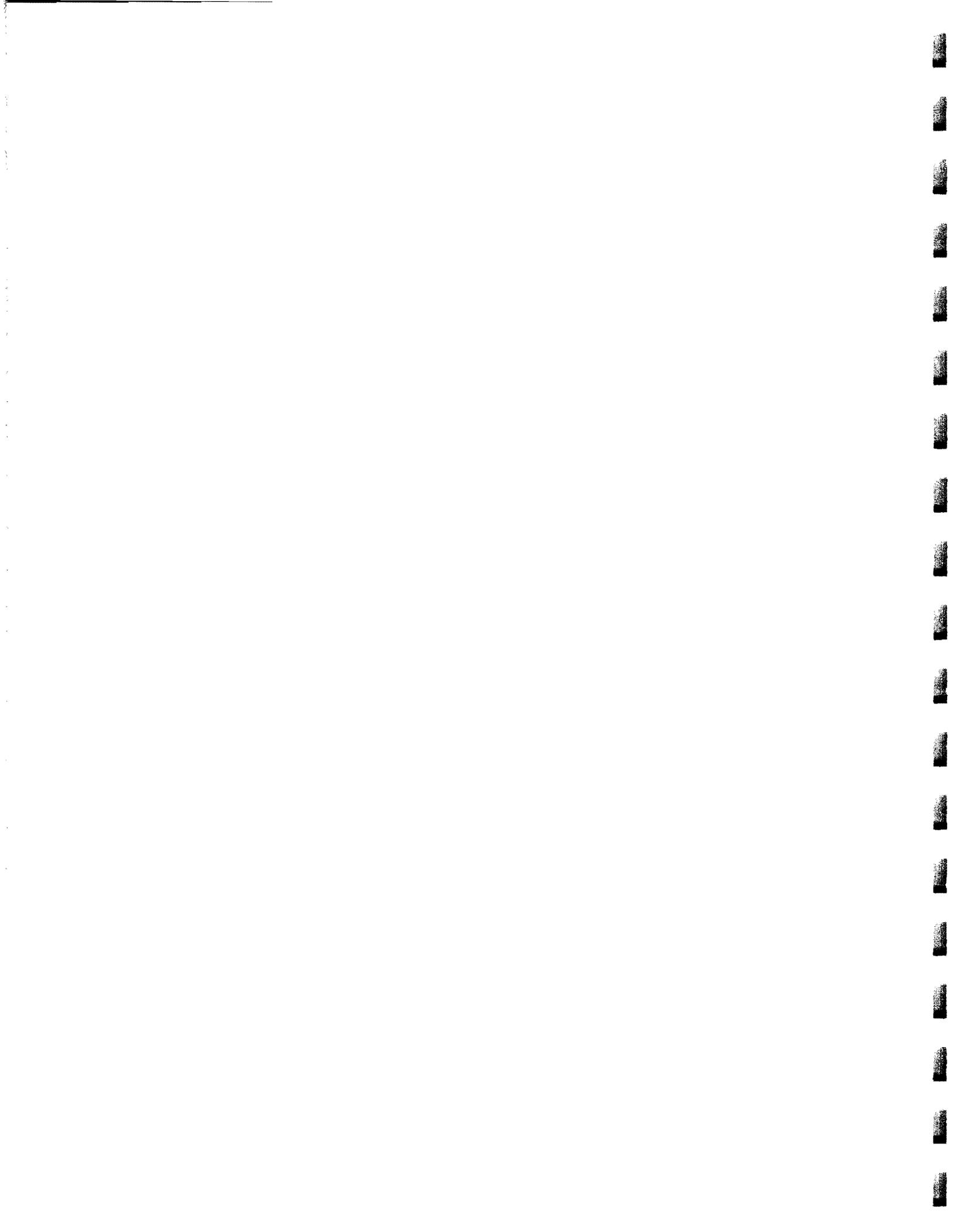
CITY CLERK'S OFFICE

1. Official budget amendments for fiscal year 2012 were not spread upon the minutes along with the 10% legal publication, if required.

Finding

Mississippi Code Ann. (1972) Sections 21-35-5, et seq., requires the City to spread upon the minutes adopted budget amendments in the format prescribed by the Office of the State Auditor and to publish legal notices of cumulative budget amendments that exceed 10% of the original budget. The City's official board minutes did not contain documentation of the adopted budget amendments for the fiscal year 2012 budget.

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To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

Recommendation

The City Clerk should ascertain that adopted budget amendments are spread upon the minutes in the format prescribed by the Office of the State Auditor and should publish the required legal notice of cumulative budget amendments that exceed 10% of the original budget as required by state law.

City Clerk's Response

The City Clerk will use the format prescribed by the Office of the State Auditor for adopted budget amendments and will spread them upon the official board minutes and if necessary, publish legal notice of cumulative budget amendments that exceed 10% of the original budget as required by state law.

2. The official budget adopted for fiscal year 2013 was not spread upon the official board minutes.

Finding

Mississippi Code Ann. (1972) Sections 21-35-5, et seq., requires the City to spread upon the minutes the adopted budget in the format prescribed by the Office of the State Auditor. The City's official board minutes did not contain documentation of the adopted budget for the fiscal year 2013 budget which is required not later than September 15, 2012.

Recommendation

The City Clerk should ascertain that adopted budget for each fiscal year is spread upon the minutes in the format prescribed by the Office of the State Auditor annually by September 15th as required by state law.

City Clerk's Response

The City Clerk will use the format prescribed by the Office of the State Auditor for each fiscal year budget and will spread the adopted budget upon the official board minutes as required by state law.

3. The City did not have documentation of completing the Municipal Compliance Questionnaire for fiscal year 2012.



To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

Finding

In accordance with the 2010 Municipal Audit and Accounting Guide published by the Office of the State Auditor, as part of the municipality's audit, the governing authorities of the municipality must make certain assertions with regard to legal compliance. The Municipal Compliance Questionnaire must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting. The City did not have documentation available of a completed Municipal Compliance Questionnaire for fiscal year 2012, and the City's official board minutes contain no record of the Municipal Compliance Questionnaire for fiscal year 2012.

Recommendation

The City's board of alderman should annually complete the Municipal Compliance Questionnaire at the end of each fiscal year and should enter the completed document in the official board minutes at the next regular meeting as required by the Office of the State Auditor.

City Clerk's Response

The Municipal Compliance Questionnaire will be completed and entered upon the official board minutes as prescribed by the Office of the State Auditor.

4. Ordinance 302, adopted during fiscal year 2012, was not entered into the City Ordinance Book.

Finding

Mississippi Code Ann. (1972) Section 21-13-13 requires the city clerk to enter all ordinances into the ordinance book. Ordinance 302, adopted during fiscal year 2012 establishing City water and sewer rates, was not entered into the City Ordinance Book as prescribed by state law.

Recommendation

The City Clerk should ascertain that all ordinances adopted by the governing officials of the City are entered into the City Ordinance Book as prescribed by state law.

City Clerk's Response

All ordinances will be entered into the City Ordinance Book as prescribed by state law.

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To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

5. The City did not obtain surety bond coverage for all aldermen during fiscal year 2012.

Finding

Mississippi Code Ann. (1972) Section 21-17-5 requires surety bond coverage for all governing board members. The City did not obtain surety bond coverage for a newly elected alderman during fiscal year 2012.

Recommendation

The City should maintain appropriate surety bond coverage for all elected officials as required by state law.

City Clerk's Response

Surety bond coverage was obtained subsequent to year end on July 1, 2013 for the newly elected alderman and will be maintained in the future for all elected officials as required by state law.

6. The City did not have completed board minutes for board meetings held during the months of September through December, 2012.

Finding

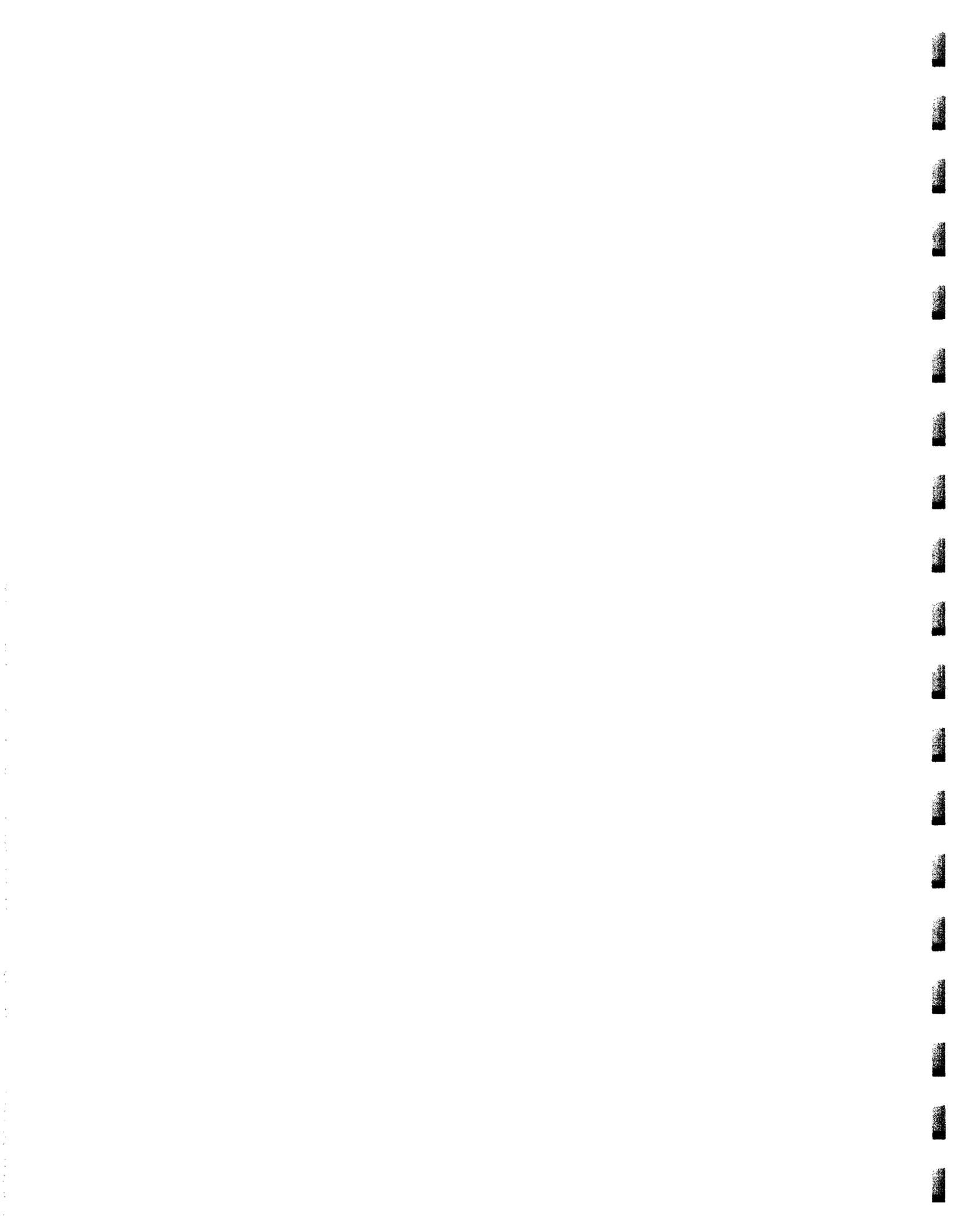
Mississippi Code Ann. (1972) Sections 21-17-17, et seq., requires that minutes of board meetings are prepared to properly reflect the actions of the board and that the minutes of board meeting be signed by the mayor or majority of the board within 30 days of the meeting. The official board minutes for the City did not contain minutes of board meetings held during the months of September through December, 2012.

Recommendation

The City Clerk should ascertain that complete board minutes are prepared, approved and entered into the official board minute book and signed by the proper official for each board meeting as required by state law.

City Clerk's Response

Complete board minutes will be prepared and submitted for approval and signature for each official board meeting, and the approved board minutes will be entered into the official board minute book as required by state law.



To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

7. The City did not maintain adequate financial records for cash receipts, payroll transactions, or bank reconciliations.

Finding

Mississippi Code Ann. (1972) Section 21-35-11, requires that municipalities maintain financial records to support all monies received and paid from each fund of the municipality. The City did not maintain adequate financial records supporting cash receipts, payroll transactions, or bank reconciliations for fiscal year 2012.

Recommendation

The City Clerk should maintain and safeguard all financial records supporting receipts and disbursements of the City for each fiscal year in accordance with state law and as prescribed by the Office of the State Auditor.

City Clerk's Response

All financial records pertaining to receipts and disbursements by the City will be maintained and secured as source documentation as prescribed by state law and the Office of the State Auditor. Monthly bank reconciliations will be performed, reviewed and maintained for all checking accounts of the City as prescribed by the Office of the State Auditor.

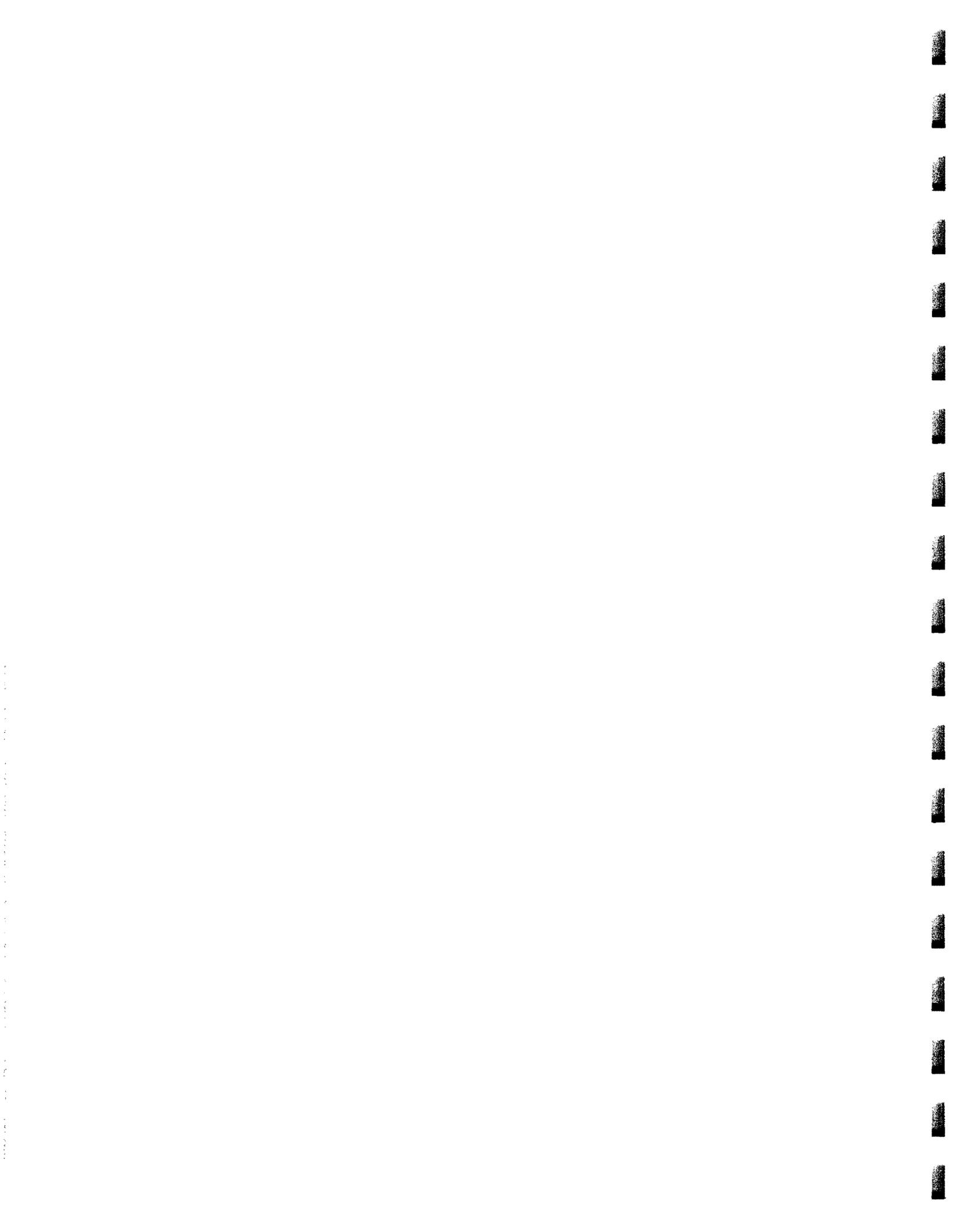
8. The City did not maintain fixed asset inventory records nor conduct an annual inventory of its assets.

Finding

In accordance with the 2010 Municipal Audit and Accounting Guide published by the Office of the State Auditor, the City should maintain an accurate capital asset inventory system, including tag number and locations of assets, and should conduct an annual inventory of those assets. The City did not maintain these records nor conduct the required annual inventory during fiscal year 2012.

Recommendation

The City should maintain an accurate subsidiary record of all capital assets and document the tag numbers and locations of each asset in conjunction with an annual inventory procedure as prescribed by the Office of the State Auditor.



To the Honorable Mayor and Board of Aldermen
City of Lumberton, Mississippi

City Clerk's Response

The City will attempt to develop a subsidiary record of all capital assets by conducting an annual inventory to comply with requirements prescribed by the Office of the State Auditor.

9. The City did not determine a full and complete cost for solid waste for the previous fiscal year 2011.

Finding

Mississippi Code Ann. (1972) Sections 21-17- 347, et seq., requires the City to make an annual determination of the full and complete cost of solid waste services for the previous fiscal year and to publish an itemized report of all revenues, costs and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage collection and disposal system. The City did not make a determination of the full and complete cost for solid waste services for the previous fiscal year 2011 nor publish an itemized report of all revenues, costs and expenses incurred by the municipality in operating the garbage collection and disposal system.

Recommendation

The City Clerk should prepare an annual determination of the full and complete cost of solid waste services for the immediate previous fiscal year and should publish an itemized report of all revenues, costs and expenses incurred by the City during the immediately preceding fiscal year in operating the garbage collection and disposal system as prescribed by state law.

City Clerk's Response

An annual determination of the full and complete cost of solid waste services for the immediate previous fiscal year will be prepared, and an itemized report of all revenues, costs and expenses incurred by the City during the immediate preceding fiscal year in operating the garbage collection and disposal system will be published as prescribed by state law.

This report is intended for the information of the City of Lumberton, Mississippi's management, Honorable Mayor and Board of Aldermen, and the Mississippi 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.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
August 28, 2013

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SEP 25 2013

