



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

CITY OF MORTON, MISSISSIPPI

Audited Financial Statements
For the Year Ending September 30, 2011

Presented by:
Nieman & Associates, PC.
Post Office Box 1411
113 North Broadway Ave.
McComb, MS 39649-1411

CITY OFFICIALS
As of September 30, 2011

MAYOR
Greg Butler

Aldерwoman, Ward 1
Annie H. Owens

Alderman, Ward 3
David B. French

Alderman, Ward 5
William R. Booth

Aldерwoman, Ward 2
Janet Jones

Aldерwoman, Ward 4
Oneida Hollis Laster

RECEIVED

FEB 25 2013

CITY OF MORTON, MISSISSIPPI

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT.....	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information.....	7
FINANCIAL STATEMENTS	9
Statement of Activities and Net Assets – Cash Basis.....	11
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances	13
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTAL INFORMATION	19
Budgetary Comparison Schedule – General Fund	21
Notes to the Required Supplemental Information	22
SUPPLEMENTAL INFORMATION	23
Schedule of Investments – All Funds.....	25
Schedule of Capital Assets	26
Schedule of Long-Term Debt.....	27
Schedule of Surety Bonds of City Officials	28
SPECIAL REPORTS	29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	31
Independent Auditor's Report on Compliance with State Laws and Regulations	33
SCHEDULE OF FINDINGS	35
Schedule of Findings.....	37
AUDITEE'S CORRECTIVE ACTION PLAN.....	39
Auditee's Corrective Action Plan.....	41

RECEIVED

FEB 25 2013

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

CITY OF MORTON, MISSISSIPPI

FINANCIAL AUDIT REPORT

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

December 11, 2012

Mayor and Board of Aldermen
City of Morton, Mississippi

We have audited the accompanying basic financial statements of the City of Morton, Scott County, Mississippi, (the City) as of and for the year ended September 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Morton, Mississippi, as of September 30, 2011, and the results of its operations and the cash flow of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

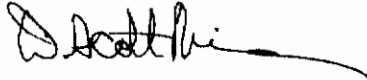
In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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* and should be considered in assessing the results of our audit.

The City of Morton, Mississippi, has chosen not to present Management's Discussion and Analysis that is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes on pages 21 and 22 are not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. We did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morton's basic financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Scott Nieman", with a long horizontal flourish extending to the right.

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

RECEIVED
FEB 25 2013

CITY OF MORTON, MISSISSIPPI

FINANCIAL STATEMENTS

CITY OF MORTON, MISSISSIPPI

(This page left blank intentionally.)

CITY OF MORTON, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis
As of and for the Year ended September 30, 2011

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 281,879	\$ 241,557	\$ 10,487	\$ -	\$ (29,835)	\$ -	\$ (29,835)
Public safety	856,008	665	65,027	29,037	(761,279)	-	(761,279)
Public works	351,646	440	61,931	-	(289,275)	-	(289,275)
Culture and recreation	173,171	-	-	-	(173,171)	-	(173,171)
Interest and fiscal charges	8,891	-	-	-	(8,891)	-	(8,891)
Total Governmental Activities	1,671,595	242,662	137,445	29,037	(1,262,451)	-	(1,262,451)
Business-type activities:							
Water	573,580	801,722	-	35,404	-	263,546	263,546
Sewer	253,995	1,505,707	-	25,500	-	1,277,212	1,277,212
Waste water treatment	1,378,571	-	-	-	-	(1,378,571)	(1,378,571)
Waste disposal	156,604	188,615	-	-	-	32,011	32,011
Interest and fiscal charges	122,865	-	-	-	-	(122,865)	(122,865)
Total business-type activities	2,485,615	2,496,044	-	60,904	-	71,333	71,333
Total Primary Government	\$ 4,157,210	\$ 2,738,706	\$ 137,445	\$ 89,941	\$ (1,262,451)	\$ 71,333	\$ (1,191,118)
General Receipts:							
Taxes:							
Property taxes					559,762	-	559,762
State grant income					558,073	-	558,073
Unrestricted investment income					18,518	16,142	34,660
Interfund transfers					-	-	-
Miscellaneous					48,071	2,391	50,462
Total General Receipts					1,184,424	18,533	1,202,957
Change in Net Assets					(78,027)	89,866	11,839
Net Assets - Beginning					1,050,749	1,273,949	2,324,698
Prior Period Adjustments					(1,670)	(37,185)	(38,855)
Net Assets - Restated					1,049,079	1,236,764	2,285,843
Net Assets - Ending					\$ 971,052	\$ 1,326,630	\$ 2,297,682

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

CITY OF MORTON, MISSISSIPPI

**Statement of Activities and Net Assets – Cash Basis
As of and for the Year ended September 30, 2011**

Functions/Programs	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
(Continued)							
Assets							
Cash and cash equivalents					\$ 675,002	\$ 1,279,450	\$ 1,954,452
Restricted cash					295,005	48,225	343,230
Interfund transactions					1,045	(1,045)	-
Total Assets					<u>\$ 971,052</u>	<u>\$ 1,326,630</u>	<u>\$ 2,297,682</u>
Net Assets							
Restricted for Debt service					\$ -	\$ 48,225	\$ 48,225
Restricted for other purpose					295,005	-	295,005
Unrestricted					676,047	1,278,405	1,954,452
Total Net Assets					<u>\$ 971,052</u>	<u>\$ 1,326,630</u>	<u>\$ 2,297,682</u>

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

CITY OF MORTON, MISSISSIPPI

**Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
As of and for the Year ended September 30, 2011**

	Governmental Activities			Business-type Activities		
	Major Fund	Governmental Funds		Major Fund	Business-type Funds	
	General Fund	Governmental Funds	Total	Water & Sewer Fund	Business-Type Funds	Total
RECEIPTS						
Taxes	\$ 559,762	\$ -	\$ 559,762	\$ -	\$ -	\$ -
Licenses and permits	7,001	-	7,001	-	-	-
Intergovernmental revenues	700,128	17,183	717,311	34,921	25,983	60,904
Charges for services	97,945	10,320	108,265	2,496,044	-	2,496,044
Fines	64,846	-	64,846	-	-	-
Interest	16,973	367	17,340	15,471	671	16,142
Rent	52,175	-	52,175	-	-	-
Miscellaneous	55,038	2,247	57,285	2,391	-	2,391
Total Receipts	1,553,868	30,117	1,583,985	2,548,827	26,654	2,575,481
DISBURSEMENTS						
General government	250,928	27,750	278,678	-	-	-
Public safety	810,042	5,542	815,584	-	-	-
Public works	344,344	-	344,344	-	-	-
Culture and recreation	151,916	16,384	168,300	-	-	-
Capital outlay	15,687	-	15,687	-	-	-
Enterprisec:	-	-	-	-	-	-
Personnel services	-	-	-	745,189	-	745,189
Purchases of services	-	-	-	473,872	-	473,872
Material/supplies	-	-	-	124,922	-	124,922
Heat, light, power	-	-	-	426,552	-	426,552
Capital outlay	-	-	-	41,395	20,963	62,358
Debt Service:						
Principal	15,374	24,737	40,111	529,857	-	529,857
Interest	2,099	6,792	8,891	122,865	-	122,865
Total Disbursements	1,590,390	81,205	1,671,595	2,464,652	20,963	2,485,615

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

CITY OF MORTON, MISSISSIPPI

**Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
As of and for the Year ended September 30, 2011**

	Governmental Activities		Business-type Activities		
	Major Fund	Other Governmental Funds	Water & Sewer Fund	Other Business-Type Funds	Total
Excess (Deficiency) of receipts over disbursements	\$ (36,522)	\$ (51,088)	\$ (87,610)	\$ 5,691	\$ 89,866
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	9,583	-	9,583	-	-
Total other financing sources (uses)	9,583	-	9,583	-	-
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,939)	(51,088)	(78,027)	5,691	89,866
CASH BASIS FUND BALANCE- BEGINNING OF YEAR, AS ORIGINALLY REPORTED	932,990	117,759	1,050,749	102,763	1,273,949
Prior period adjustments	(1,663)	(7)	(1,670)	(5,020)	(37,185)
CASH BASIS FUND BALANCE- BEGINNING OF YEAR, RESTATED	931,327	117,752	1,049,079	97,743	1,236,764
CASH BASIS FUND BALANCE- END OF YEAR	\$ 904,388	\$ 66,664	\$ 971,052	\$ 103,434	\$ 1,326,630

RECEIVED
FEB 25 2013

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

CITY OF MORTON, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Morton, Mississippi, (the City) was incorporated in 1893. The City 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 City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

- Statement of activities and net assets – cash basis
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The City combines the statement of activities and statement of net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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

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

In the fund financial statements, governmental funds and agency funds are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

The city reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF MORTON, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2011

The city reports the following major proprietary funds:

Water & Sewer Fund – Accounts for the activities of providing water and sewer services to citizens of the City.

Additionally, the city reports the following fund type:

Agency Funds – Agency Funds are used to report resources held by the city in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

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

D. Assets and Net Assets or Equity

1. Cash and Investments

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

2. Equity Classifications.

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(2) Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, proprietary funds, and fiduciary funds was \$675,002, \$1,279,450 and \$(6,683) respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,954,452 and Restricted Assets \$343,230. The restricted assets represent the cash balance which is legally restricted and may not be used for purposes that support the city's program. The bank balance was \$2,455,890.

CITY OF MORTON, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2011

(2) Cash and Cash Equivalents (Continued)

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 risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. 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.

(3) 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 supplemental information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 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 current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The city's contributions to PERS for the fiscal years ending September 30, 2011, 2010 and 2009 were \$146,826, \$139,995 and \$143,137, respectively, which equaled the required contributions for each year.

(4) Litigation.

The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the city with respect to various proceedings. However, the city's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the city.

(5) Risk Management.

The city is exposed to various risks of loss related to torts; of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Except as described below, the city carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The city is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the city's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG

CITY OF MORTON, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2011

has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool member would be required to pay for the deficiencies. The city has not had an additional assessment for excess losses incurred by the pool.

RECEIVED
FEB 25 2013

CITY OF MORTON, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MORTON, MISSISSIPPI

(This page left blank intentionally.)

CITY OF MORTON, MISSISSIPPI

**Budgetary Comparison Schedule – Budget and Actual
General Fund
For the Year Ended September 30, 2011**

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
Revenues:					
Taxes	\$ 567,359	\$ 567,359	\$ 559,762	\$ -	\$ (7,597)
Licenses and permits	10,000	10,000	7,001	-	(2,999)
Intergovernmental revenues	654,000	654,000	700,128	-	46,128
Charges for services	105,000	105,000	97,945	-	(7,055)
Fines	75,000	75,000	64,846	-	(10,154)
Interest	9,000	9,000	16,973	-	7,973
Rent	51,975	51,975	52,175	-	200
Miscellaneous	-	-	55,038	-	55,038
Total Revenues	<u>1,472,334</u>	<u>1,472,334</u>	<u>1,553,868</u>	<u>-</u>	<u>81,534</u>
Expenditures:					
General government	276,729	279,979	250,928	3,250	29,051
Public safety	744,478	827,124	810,042	82,646	17,082
Public works	332,974	365,839	344,344	32,865	21,495
Culture and recreation	113,050	132,811	151,916	19,761	(19,105)
Capital outlay	-	-	15,687	-	(15,687)
Debt service:					
Principal	5,103	5,103	15,374	-	(10,271)
Interest and other charges	-	-	2,099	-	(2,099)
Total Expenditures	<u>1,472,334</u>	<u>1,610,856</u>	<u>1,590,390</u>	<u>138,522</u>	<u>20,466</u>
Excess (deficiency) of revenues over expenditures	-	(138,522)	(36,522)	(138,522)	102,000
Other Financing Sources (Uses):					
Sale of fixed assets	-	-	9,583	-	(9,583)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>9,583</u>	<u>-</u>	<u>(9,583)</u>
Net change in fund balances	<u>-</u>	<u>(138,522)</u>	<u>(26,939)</u>	<u>(138,522)</u>	<u>92,417</u>
Fund Balances:					
October 1, 2010			932,990		
Prior period adjustments			(1,663)		
October 1, 2010, as restated			<u>931,327</u>		
September 30, 2011			<u>\$ 904,388</u>		

CITY OF MORTON, MISSISSIPPI

Notes to the Required Supplemental Information For the Year Ended September 30, 2011

(1) Budgetary Information

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Alderpersons of the City, using historical and anticipated fiscal data, prepares an original budget for the general fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances.

When during the fiscal year it appears to the Board of Alderpersons that budgetary estimates will not be met, it may make revisions to the budget.

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

(2) Basis of Presentation

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

(3) Budget Reconciliation

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

CITY OF MORTON, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF MORTON, MISSISSIPPI

(This page left blank intentionally.)

CITY OF MORTON, MISSISSIPPI

Schedule of Investments – All Funds
For the Fiscal Year Ended September 30, 2011

OWNERSHIP	TYPE OF INVESTMENT	INTEREST RATE	ACQUISITION DATE	MATURITY DATE	TERM	OTHER INFORMATION	INVESTMENT COST/VALUE
General Fund	Certificate of Deposit	0.750%	04/06/11	04/06/12	YEAR	Bank of Morton	\$ 3,388
General Fund	Certificate of Deposit	0.650%	12/22/10	12/22/11	YEAR	Bank of Morton	100,000
General Fund	Certificate of Deposit	1.350%	08/13/11	08/13/12	YEAR	Priority One	250,328
General Fund/Enterprise Fund	Certificate of Deposit	0.740%	08/27/11	02/27/12	6 MOS.	Priority One	102,062
Enterprise Fund	Certificate of Deposit	1.500%	01/17/11	01/17/12	YEAR	Priority One	100,876
Enterprise Fund	Certificate of Deposit	0.500%	06/17/11	06/17/12	YEAR	Bank of Morton	210,000
Enterprise Fund	Certificate of Deposit	1.450%	05/16/11	05/16/12	YEAR	Priority One	138,647
Enterprise Fund	Certificate of Deposit	1.450%	05/16/11	05/16/12	YEAR	Priority One	48,225
Enterprise Fund	Certificate of Deposit	0.550%	08/28/11	02/28/12	6 MOS.	Bank of Morton	100,000
Enterprise Fund	Certificate of Deposit	1.500%	01/08/11	01/08/12	YEAR	Priority One	100,760
TOTAL INVESTMENTS							\$ 1,154,286

RECEIVED
FEB 25 2013

CITY OF MORTON, MISSISSIPPI

Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2011

	Beginning Balances	Increases	Decreases	Completed Construction	Adjustments	Ending Balance
Governmental activities:						
Capital Assets:						
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Construction in progress	-	15,687	-	-	-	15,687
Buildings	747,301	-	-	-	-	747,301
Building Improvements	57,844	-	-	-	-	57,844
Infrastructure	357,515	-	-	-	-	357,515
Improvements other	270,010	-	-	-	-	270,010
Mobile Equipment	681,929	-	(39,051)	-	8,639	651,517
Furniture & Equipment	100,876	-	-	-	-	100,876
Obligations under capital leases	488,555	-	-	-	-	488,555
Total Governmental Activities Capital Assets	\$ 2,714,030	\$ 15,687	\$ (39,051)	\$ -	\$ 8,639	\$ 2,699,305

Business-type activities:

Capital Assets:						
Land	\$ 47,319	\$ -	\$ -	\$ -	\$ -	\$ 47,319
Construction in progress	226,234	62,358	-	(267,629)	-	20,963
Infrastructure	17,412,198	-	-	267,629	-	17,679,827
Mobile Equipment	311,879	-	-	-	(8,639)	303,240
Furniture & Equipment	208,340	-	-	-	-	208,340
Obligations under capital leases	72,118	29,969	-	-	-	102,087
Total Business-type Activities Capital Assets	\$ 18,278,088	\$ 92,327	\$ -	\$ -	\$ (8,639)	\$ 18,361,776

CITY OF MORTON, MISSISSIPPI

Schedule of Long-Term Debt
For the Fiscal Year Ended September 30, 2011

	Balance Outstanding October 1, 2010	Transactions During Fiscal Year		Adjustments	Balance Outstanding September 30, 2011	Amounts Due Within One-year
		Increases	Decreases			
Governmental Activities:						
General Obligation Bonds	\$ 39,071	\$ -	\$ 4,871	\$ -	\$ 34,200	\$ 5,061
Obligations Under Capital Leases Payable	159,432	-	35,686	(2,753)	120,993	36,608
Governmental activities subtotal	198,503	-	40,557	(2,753)	155,193	41,669
Business-type Activities						
General Obligation Bonds	274,404	-	36,451	-	237,953	36,331
Capital improvement loans	4,717,720	-	456,236	(6,670)	4,254,814	457,914
Obligations Under Capital Leases Payable	49,656	29,969	35,387	2,753	46,991	15,622
Business-type activities subtotal	5,041,780	29,969	528,074	(3,917)	4,539,758	509,867
TOTAL	\$ 5,240,283	\$ 29,969	\$ 568,631	\$ (6,670)	\$ 4,694,951	\$ 551,536

CITY OF MORTON, MISSISSIPPI

**Schedule of Surety Bonds of City Officials
September 30, 2011**

<u>Name</u>	<u>Position</u>	<u>Surety Bond Company</u>	<u>Amount</u>
Greg Butler	Mayor	St. Paul/Travelers Insurance Co.	\$ 50,000
Annie H. Owens	Alderwoman	St. Paul/Travelers Insurance Co.	50,000
Janet Laseter Jones	Alderwoman	St. Paul/Travelers Insurance Co.	50,000
David B. French	Alderman	St. Paul/Travelers Insurance Co.	50,000
Alpha O. Hollis Laster	Alderwoman	St. Paul/Travelers Insurance Co.	50,000
William R. Booth	Alderman	St. Paul/Travelers Insurance Co.	50,000
Dorothy Redeemer	City Clerk	St. Paul/Travelers Insurance Co.	50,000
Nicky Crapps	Police Chief	St. Paul/Travelers Insurance Co.	50,000

The City of Morton maintains a blanket surety bond that covers all Police Officers (\$25,000), Police Dispatchers (\$25,000), the Deputy City Clerks (\$50,000), and all other personnel that handle cash (\$50,000).

RECEIVED

FEB 25 2013

CITY OF MORTON, MISSISSIPPI

SPECIAL REPORTS

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

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

December 11, 2012

Mayor and Board of Aldermen
City of Morton, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Morton as of and for the year ended September 30, 2011, which collectively comprise the City of Morton's basic financial statements and have issued our report thereon dated December 11, 2012. 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.

Internal Control Over Financial Reporting

Management of the city is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the city's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

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 control 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as 2011-01, 2011-02, and 2011-03 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

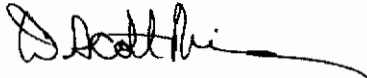
The city's response to the findings identified in our audit described in the accompanying Schedule of Findings can be found in the following Auditee's Responses section. We did not audit the City Morton's responses and accordingly we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of the mayor, board of aldermen, and management 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.

Sincerely,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

RECEIVED
FEB 25 2013

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

December 11, 2012

Mayor and Board of Aldermen
City of Morton, Mississippi

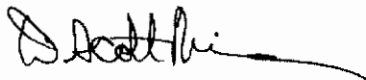
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2011, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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, 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 general purpose financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the City'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.

Sincerely,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

CITY OF MORTON, MISSISSIPPI

SCHEDULE OF FINDINGS

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

RECEIVED

FEB 25 2013

CITY OF MORTON, MISSISSIPPI

Schedule of Findings
For the Year Ending September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified that is not considered to be a material weakness? | Yes |

Section 2: Financial Statement Findings

Reportable condition not considered to be a material weakness

2011-01 – Incomplete list of general fixed assets and incomplete or incorrect calculation of depreciation and accumulated depreciation

Finding

Per Section 21-17-5, Mississippi Code Ann. (1972), the municipal governing authority shall have the care, management and control of the municipal affairs and its property and finances. Therefore, the municipal governing authority is responsible for the custody of its assets. The City does not have a complete and accurate subsidiary of fixed assets as is required. Accurate financial reporting is dependent upon the city maintaining accurate fixed asset records. During our review of fixed asset records, we found the following:

- The master fixed asset list is incomplete and one (1) asset from the existence test was not found on the master fixed asset list.
- The depreciation and accumulated depreciation was not calculated correctly or was incomplete; assets valuing \$4.4 million were left off of the depreciation schedule.

Recommendation

The City had purchased new software in the previous year and has begun the process of entering the fixed assets. We recommend that the City continue their efforts to enter all assets into the new software. We also recommend that the City adjust accumulated depreciation to reflect the correct amount on all depreciable assets and that all assets exceeding the threshold be included on the depreciation schedule.

CITY OF MORTON, MISSISSIPPI

Schedule of Findings
For the Year Ending September 30, 2011

Section 2: Financial Statement Findings (Continued)

Reportable condition not considered to be a material weakness(Continued)

2011-02 – Timeliness and Accuracy of Court Receipts & Deposits

Finding

Prudent internal controls should include the timely deposit of all receipts and indicating the form of collections (cash, check, money order). During our test of revenues, we examined one month of receipts and found that five receipts were not deposited timely and three receipts did not indicate the type of payment.

Recommendation

We recommend that controls be put in place to ensure that court fine receipts are timely deposited and properly documented. The collections from the police department should be turned into City Hall on a daily basis.

2011-03 – No written quotes for purchases over \$5,000

Finding

Per Section 31-7-13(d), Mississippi Code Ann. (1972), purchases which involve an expenditure of more than five thousand dollars (\$5,000) but not more than twenty-five thousand dollars (\$25,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained. During our review of individually significant expenditures, we noted there were four (4) purchases exceeding five thousand dollars (\$5,000), exclusive of freight and shipping charges, made without obtaining at least two (2) written competitive bids.

Recommendation

We recommend that the City follow the state purchasing law and obtain the required two (2) written competitive bids when purchasing over five thousand dollars (\$5,000) and maintain documentation of the written bids.

CITY OF MORTON, MISSISSIPPI

AUDITEE'S CORRECTIVE ACTION PLAN

CITY OF MORTON, MISSISSIPPI

(This page was left blank intentionally.)

ALDERMEN:

WILLIAM R. (BUDDY) BOOTH, Mayor Pro Tem
DAVID B. FRENCH
ONEIDA (NITA) HOLLIS LASTER
JANET LASETER JONES
ANNIE H. OWENS



CITY OF MORTON

P.O. Box 555
Morton, MS 39117
Phone: (601) 732-6252
GREG BUTLER, Mayor

DOROTHY REDEEMER
City Clerk
NICKY CRAPPS
Police Chief
HEZ L. HOLLINGSWORTH
City Attorney

February 7, 2013

Nieman & Associates, PC
P O Box 1411
McComb, MS 39649-1411

Re: CORRECTIVE ACTION PLAN

Dear Sir:

The City of Morton, Mississippi respectfully submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned cost for the year ended September 30, 2011. The finding is numbered consistently with the number assigned in the schedule in Section 2.

Finding 2011-01: Incomplete list of general fixed assets and incomplete or incorrect calculation of depreciation and accumulated depreciation.

Recommendation: The City had purchased new software in the previous year and has begun the process of entering the fixed assets. We recommend that the City continue their efforts to enter all assets into the new software. We also recommend that the City adjust accumulated depreciation to reflect the correct amount on all depreciable assets and that all assets exceeding the threshold be included on the depreciation schedule.

Action Taken: We will continue to enter all fixed assets into the software in the master fixed assets file and we will contact the software vendor to assist in getting the depreciation calculation and accumulated depreciation corrected.

Page 2

Finding 2011-02: Timeliness and accuracy of court receipts and deposits.

Recommendation: We recommend that controls be put in place to ensure that court fine receipts are timely deposited and properly documented. The collections from the police department should be turned into City Hall on a daily basis.

Action Taken: The City Clerk and the Chief of Police has put in place procedures to ensure that the court receipts collected at the Police Department will be turned into City Hall on a daily basis.

Finding 2011-03: No written quotes for purchases over \$5,000.

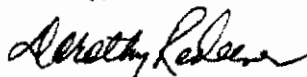
Recommendation: We recommend that the City follow the state purchasing law and obtain the required two (2) written competitive bids when purchasing over five thousand dollars (\$5,000) and maintain documentation of the written bids.

Action Taken: The City of Morton will comply with Section 37-7-1(f) of the Mississippi Code Ann. (1972), and obtain at least (2) written bids when purchasing over \$5,000, but no more than \$25,000.

Name of contact person responsible for the Corrective Action Plan: Dorothy Redeemer, City Clerk, phone number (601) 732-8609.

The City of Morton is in the process of making the above corrective action changes.

Sincerely,



Dorothy Redeemer
City Clerk

RECEIVED
FEB 25 2013