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***CITY OF MORTON, MISSISSIPPI***

***Audited Financial Statements,  
Supplemental and Other Information and  
Auditors' Reports on Internal Control  
Over Financial Reporting, Compliance  
and Other Matters***

***Year Ended September 30, 2015***

**CITY OF MORTON, MISSISSIPPI**

**Audited Financial Statement and  
Supplementary Information**

**For the Year Ended September 30, 2015**

**CITY OF MORTON, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Alderpersons  
City of Morton, Mississippi

### Report on the Financial Statement

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

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting, as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on the financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morton, Mississippi, as of September 30, 2015, and the respective changes in cash basis financial position for the year then ended, in accordance with cash basis of accounting described in the Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes that the City of Morton, Mississippi prepares its financial statement 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. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the City of Morton taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statement. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statement. The supplementary information consists of a Budgetary Comparison Schedule – General Fund, Schedule of Capital Assets, Schedule of Long-term Debt, Schedule of Investments – All Funds and a Schedule of Surety Bonds for Municipal Officials and Employees. The information in those schedules has been subjected to the auditing procedures that apply in the audit of the Statement of Cash Receipts and Disbursements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Morton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Morton, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the City's management 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.

*The Millon Group, PLLC*

December 15, 2016  
Morton, Mississippi

## **FINANCIAL STATEMENT**

**CITY OF MORTON, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Governmental Activities					Business-type Activities			
	Major Fund		Koch Foods			Major Funds		Business-Type Funds	
	General Fund		Road Fund	CDBG	Other Governmental Funds	Water, Sewer, Wastewater & Garbage Fund			Total
<b>RECEIPTS</b>									
Taxes - ad valorem	\$ 606,686	\$ -	-	-	\$ -	\$ -	\$ -	\$ -	-
Penalties and interest on delinquent taxes	9,014	-	-	-	-	-	-	-	-
Licenses and permits	11,392	-	-	-	-	-	-	-	-
Franchise fees	115,334	-	-	-	-	-	-	-	-
Intergovernmental revenues	681,543	446,163	-	-	23,837	-	-	-	-
Charges for services	6,050	-	-	-	44,142	2,650,838	-	-	2,650,838
Fines and forfeitures	72,622	-	-	-	-	-	-	-	-
Interest	2,511	-	-	-	48	4,346	112	4,458	-
Other	47,642	-	-	-	13,007	2,021	-	2,021	-
<b>Total Receipts</b>	<u>1,552,794</u>	<u>446,163</u>			<u>81,034</u>	<u>2,657,205</u>	<u>112</u>		<u>2,657,317</u>
<b>DISBURSEMENTS</b>									
General government	267,170	-	-	-	-	-	-	-	-
Public safety	850,227	-	-	-	3,883	-	-	-	-
Public works	321,155	-	-	-	-	-	-	-	-
Culture and recreation	162,403	-	-	-	55,417	-	-	-	-
Capital outlay	35,358	446,163	-	-	5,000	-	-	-	-
Enterprise:									
Personnel services	-	-	-	-	-	822,222	-	822,222	-
Purchases of services	-	-	-	-	-	494,629	-	494,629	-
Material/supplies	-	-	-	-	-	222,793	-	222,793	-
Heat, light, power	-	-	-	-	-	489,684	-	489,684	-
Capital outlay	-	-	-	-	-	24,607	-	24,607	-
Debt Service:									
Principal	32,332	-	-	-	16,079	323,345	-	323,345	-
Interest	6,228	-	-	-	2,761	91,363	-	91,363	-
<b>Total Disbursements</b>	<u>1,674,873</u>	<u>446,163</u>			<u>83,140</u>	<u>2,468,643</u>	-		<u>2,468,643</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF MORTON, MISSISSIPPI**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
(Continued)

	Governmental Activities				Business-type Activities		
	Major Fund			Total	Major Funds		Total
	General Fund	Koch Foods Road CDBG Fund	Other Governmental Funds		Water, Sewer, Wastewater & Garbage Fund	Other Business-Type Funds	
Excess (deficiency) of receipts over disbursements	\$ (122,079)	\$ -	\$ 2,106	\$ 124,185	\$ 188,562	\$ 112	\$ 188,674
<b>OTHER CASH SOURCES (USES)</b>							
Insurance recoveries	1,683	-	-	1,683	38,945	-	38,945
Inception of capital lease	30,120	-	-	30,120	-	-	-
Operating transfers in	-	-	388	388	-	-	-
Operating transfers (out)	-	-	(388)	(388)	-	-	-
Total other cash sources (uses)	31,803	-	-	31,803	38,945	-	38,945
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	(90,276)	-	(2,106)	(92,382)	227,507	112	227,619
<b>CASH BASIS FUND BALANCE- Beginning of year</b>	827,926	-	66,175	894,101	1,485,549	104,068	1,589,617
<b>CASH BASIS FUND BALANCE - End of year</b>	\$ 737,650	\$ -	\$ 64,069	\$ 801,719	\$ 1,713,056	\$ 104,180	\$ 1,817,236

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF MORTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement of the City of Morton, Mississippi, have been presented 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.

The City of Morton, Mississippi, was incorporated in 1893 and operates under a Mayor/Board of Alderpersons form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, inspections and zoning, and general administrative services. The following is a summary of the more significant policies:

**A. Reporting Entity**

The financial statement of the reporting entity includes that of the City of Morton, Mississippi. There are no component units.

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

The City reports the following major governmental funds:

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

Koch Foods Road CDBG Fund - This capital projects fund accounts for cash sources and cash disbursements for the Koch Foods road improvements project.

The government reports the following major proprietary funds:

Water and Sewer Authority Fund - This fund accounts for the activities of the City which include the operation of the sewage treatment plant, sewage pumping stations and collection systems and the water distribution system.

Additionally, the government reports the following fund types:

**Governmental Funds**

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

**CITY OF MORTON, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENT  
SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Debt Service Funds - The funds are used to account for and report the proceeds of specific cash resources that are restricted or committed to disbursement for principal and interest.

**Fiduciary Fund Type**

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

As a general rule, the effect of interfund activity has been eliminated for the financial statement. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**C. Assets and Net Position or Equity**

**1.) Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposits with a maturity of one year or less.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

**Deposits**

The carrying amount of the City's total deposits with financial institutions reported in the governmental funds and the proprietary funds at September 30, 2015, was \$798,251 and \$1,817,646, respectively. The carrying amount of deposits reported in the financial statement was: Cash and cash equivalents \$2,303,139, and Restricted assets \$312,758. The restricted assets represent the cash balance which is legally restricted and may not be used for purposes that support the City's programs. The bank balance at September 30, 2015 was \$2,750,561.

## CITY OF MORTON, MISSISSIPPI

### NOTES TO THE FINANCIAL STATEMENT SEPTEMBER 30, 2015

#### NOTE 2 – CASH AND CASH EQUIVALENTS - CONTINUED:

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). 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 (FDIC).

*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 the 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.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments* - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the 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. The City held no investments as of September 30, 2015.

*Concentration of Credit Risk* - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2015, the City had no investments.

**CITY OF MORTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 2 – CASH AND CASH EQUIVALENTS - CONTINUED:**

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

**NOTE 3 - OPERATING LEASES**

As Lessee:

The City has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$2,766 for the year ended September 30, 2015.

The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2016	\$ 1,770
2017	1,770
2018	<u>1,770</u>
Total	<u>\$ 5,310</u>

## **CITY OF MORTON, MISSISSIPPI**

### **NOTES TO THE FINANCIAL STATEMENT SEPTEMBER 30, 2015**

#### **NOTE 4 - PROPERTY TAXES**

The Board of Alderpersons levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the City. Automobile ad valorem taxes and certain other taxes are collected by the Scott County tax collector and disbursed to the City accordingly. Current collections for taxes for the year ended September 30, 2015, were approximately 106% of the total tax levy.

The tax rate levied by the City on 2014 taxes collected in fiscal year 2015 was set at 41.50 mills. The City allocated the property tax per \$100 of assessed value for the year to the general fund.

All property taxes are recognized as receipts when collected.

#### **NOTE 5 - DEFINED BENEFIT PENSION PLAN**

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

Funding Policy. At September 30, 2015, PERS members were required to contribute 9% of their covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2015, was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014, and 2013 were \$206,762, \$200,033 and \$183,559, respectively, equal to the required contributions for each year.

Pension Liability. At September 30, 2015, the City of Morton, Mississippi had a liability of \$3,178,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of its long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.020561 percent.

**CITY OF MORTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 6 -CONTINGENCIES**

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The City may be responsible for any disallowances.

Litigation – The City is party to legal proceedings, many of which occur in the natural 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 the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

**NOTE 7 - CLAIMS AND JUDGEMENTS**

**Risk Financing**

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss other than workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to its employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Miss. Code Ann. (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs, there have been no significant reductions in insurance coverage.

Settlement amounts have not exceeded insurance coverage for the current year or prior two fiscal years.

**CITY OF MORTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 7 - CLAIMS AND JUDGEMENTS – CONTINUED**

**Insurance Loss Recoveries**

The City of Morton, Mississippi received \$40,628 in insurance loss recoveries related to damaged assets during the current fiscal year. In the Statement of Cash Receipts and Disbursements, the insurance loss recoveries were reported as general receipts.

**NOTE 8 - SUBSEQUENT EVENTS**

On March 15, 2016, the board approved a \$200,000 Energy Efficiency Revolving loan for partial financing of the water meter upgrade project.

On May 17, 2016, the board approved a grant of \$750,000 for the Mississippi Energy Loan Program, passed through Mississippi Development Authority, to complete the financing of the water meter upgrade project.

The City had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statement through December 15, 2016, the date the financial statement were approved by the City's management and available to be issued.

## **SUPPLEMENTARY INFORMATION**

**CITY OF MORTON, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Original to Final Variance	Final to Actual Variance
	Original	Final			
<b>Receipts</b>					
Property and gaming taxes	\$ 616,553	\$ 607,953	606,686	\$ 8,600	\$ 1,267
Penalties and interest on delinquent taxes	4,000	4,000	9,014	-	(5,014)
Licenses, permits, fees and fines	15,000	15,000	11,392	-	3,608
Fines and forfeitures	95,450	95,450	72,622	-	22,828
Franchise fees	105,000	105,000	115,334	-	(10,334)
Intergovernmental	681,298	681,298	681,543	-	(245)
Charges for services	-	-	6,050	-	(6,050)
Interest	1,000	1,000	2,511	-	(1,511)
Other income	2,400	2,400	47,642	-	(45,242)
<b>Total receipts</b>	<b>1,520,701</b>	<b>1,512,101</b>	<b>1,552,794</b>	<b>8,600</b>	<b>(40,693)</b>
<b>Disbursements</b>					
Current:					
General government	\$ 271,640	\$ 292,774	\$ 267,170	\$ (21,134)	\$ 25,604
Public safety	818,539	877,323	850,227	(58,784)	27,096
Public works	307,370	338,136	321,155	(30,766)	16,981
Culture and recreation	145,636	186,143	162,403	(40,507)	23,740
Debt service:					
Principal	26,116	29,788	32,332	(3,672)	(2,544)
Interest and other charges	-	290	6,228	(290)	(5,938)
Capital outlay	32,400	37,250	35,358	(4,850)	1,892
<b>Total disbursements</b>	<b>1,601,701</b>	<b>1,761,704</b>	<b>1,674,873</b>	<b>(160,003)</b>	<b>86,831</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(81,000)</b>	<b>(249,603)</b>	<b>(122,079)</b>	<b>(5,445)</b>	<b>(127,524)</b>
<b>Other Cash Sources (Uses)</b>					
Insurance recoveries	-	-	1,683	-	(1,683)
Transfers in and interfund loans received	-	-	-	-	-
Transfers out and interfund loans repaid	-	-	-	-	-
Inception of capital lease	-	-	30,120	-	(30,120)
<b>Total other cash sources (uses)</b>	<b>-</b>	<b>-</b>	<b>31,803</b>	<b>-</b>	<b>(1,683)</b>
<b>Net change in fund balance</b>	<b>(81,000)</b>	<b>(249,603)</b>	<b>(90,276)</b>		
<b>Cash Basis Fund balance - beginning</b>			<b>827,926</b>		
<b>Cash Basis Fund balances - ending</b>			<b>\$ 737,650</b>		

**CITY OF MORTON, MISSISSIPPI**  
**SCHEDULE OF CAPITAL ASSETS**  
**For the Fiscal Year Ended**  
**September 30, 2015**

	Beginning Balances	Increases	Decreases	Completed Construction	Adjustments	Ending Balance
<b>Governmental activities:</b>						
Capital Assets:						
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Buildings	936,302	-	-	-	-	936,302
Building Improvements	162,833	-	-	-	-	162,833
Infrastructure	528,825	717,347	-	-	-	1,246,172
Improvements other	312,764	-	-	-	-	312,764
Mobile Equipment	648,711	8,000	-	-	29,170	685,881
Furniture & Equipment	140,297	10,238	(11,500)	-	-	139,035
Obligations under capital leases	295,911	30,120	-	-	(29,170)	296,861
<b>Total Governmental Activities Capital Assets</b>	<b>\$ 3,035,643</b>	<b>\$ 765,705</b>	<b>\$ (11,500)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,789,848</b>
<b>Business-type activities:</b>						
Capital Assets:						
Land	\$ 47,319	\$ -	\$ -	\$ -	\$ -	\$ 47,319
Construction in progress	32,805	446,163	-	-	-	478,968
Infrastructure	18,397,174	-	(717,347)	-	-	17,679,827
Improvements other	461,791	-	-	-	-	461,791
Mobile Equipment	378,621	19,360	(9,680)	-	89,503	477,804
Furniture & Equipment	208,340	5,247	-	-	22,700	236,287
Obligations under capital leases	165,818	-	-	-	(112,203)	53,615
<b>Total Business-type Activities Capital Assets</b>	<b>\$ 19,691,868</b>	<b>\$ 470,770</b>	<b>\$ (727,027)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,435,611</b>

**CITY OF MORTON, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Fiscal Year Ended**  
**September 30, 2015**

	Balance Outstanding October 1, 2014	Transactions During Fiscal Year		Balance Outstanding September 30, 2015	Amounts Due Within One-year
		Issued	Redeemed		
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 126,195	\$ -	\$ 19,681	\$ 106,514	\$ 20,458
Obligations Under Capital Leases Payable	81,446	30,121	27,990	83,577	31,565
Governmental activities subtotal	207,641	30,121	47,671	190,091	52,023
<b>Business-type Activities</b>					
General Obligation Bonds	117,374	-	44,207	73,167	46,627
Capital improvement loans	3,713,284	-	266,121	3,447,163	262,335
Obligations Under Capital Leases Payable	24,349	-	13,757	10,592	9,044
Business-type activities subtotal	3,855,007	-	324,085	3,530,922	318,006
<b>TOTAL</b>	<b>\$ 4,062,648</b>	<b>\$ 30,121</b>	<b>\$ 371,756</b>	<b>\$ 3,721,013</b>	<b>\$ 370,029</b>

**CITY OF MORTON, MISSISSIPPI**  
**SCHEDULE OF INVESTMENTS - ALL FUNDS**  
**September 30, 2015**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/value</u>
<b>Non-restricted Investments:</b>						
General Fund	Certificate of Deposit	0.200%	4/6/2015	4/6/2016	Bank of Morton	\$ 3,464
General Fund	Certificate of Deposit	0.250%	12/22/2014	12/22/2015	Bank of Morton	100,000
General Fund	Certificate of Deposit	0.200%	8/14/2015	8/12/2016	Priority One Bank	250,000
Morton Memorial Gardens	Certificate of Deposit	0.150%	8/22/2015	2/20/2016	Priority One Bank	10,000
Enterprise Fund	Certificate of Deposit	0.250%	1/16/2015	1/16/2016	Priority One Bank	100,000
Enterprise Fund	Certificate of Deposit	0.250%	6/17/2015	6/17/2016	Bank of Morton	210,000
Enterprise Fund	Certificate of Deposit	0.200%	5/17/2015	5/15/2016	Priority One Bank	138,000
Enterprise Fund	Certificate of Deposit	0.200%	8/28/2015	2/28/2016	Bank of Morton	100,000
Enterprise Fund	Certificate of Deposit	0.250%	1/7/2015	1/7/2016	Priority One Bank	100,000
<b>Sub-total</b>						<u>1,011,464</u>
<b>Restricted Investments:</b>						
Unemployment Compensation	Certificate of Deposit	0.150%	8/22/2015	2/20/2016	Priority One Bank	7,000
Enterprise Fund	Certificate of Deposit	0.150%	8/22/2015	2/20/2016	Priority One Bank	75,000
Enterprise Fund	Certificate of Deposit	0.250%	5/17/2015	5/15/2016	Priority One Bank	48,000
<b>Sub-total</b>						<u>130,000</u>
<b>TOTAL INVESTMENTS</b>						<u>\$ 1,141,464</u>

**CITY OF MORTON, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS AND EMPLOYEES**  
**September 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Gregory Butler	Mayor	MS Municipal Bond Program	\$ 50,000
Marie Washington	Alderwoman	MS Municipal Bond Program	50,000
Al J. Reeves	Alderman	MS Municipal Bond Program	50,000
Scott Herrod	Alderman	MS Municipal Bond Program	50,000
Alpha Oneida Laster	Alderwoman	MS Municipal Bond Program	50,000
William R. Booth	Alderman	MS Municipal Bond Program	50,000
Dorothy Redeemer	City Clerk	Travelers	50,000
Nicky Crapps	Chief of Police	Travelers	50,000
Police Officers	Blanket Bond	Western Surety	25,000
Joel Davidson	Fire Chief	Travelers	50,000
Shannon Roberts	Fire Department Secretary	Travelers	50,000
Edna White	Accounts Payable Clerk	Travelers	50,000
Sheila Hughes	Deputy Clerk	Travelers	50,000
Tara Yates	Court Clerk & Municipal Clerk	Travelers	50,000

**CITY OF MORTON, MISSISSIPPI**

**NOTES TO SUPPLEMENTARY INFORMATION SCHEDULES  
SEPTEMBER 30, 2015**

**Budgetary Comparison Schedules**

**NOTE A – BUDGETARY INFORMATION**

Statutory requirements dictate how and when the City's budget is to be prepared. 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.

**NOTE B - 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 final budget and the actual amounts. The schedule is presented for the General Fund.

**NOTE C – BUDGET RECONCILIATION**

As discussed in the Summary of Significant Accounting Policies note, the financial statement is prepared on the basis of cash receipts and disbursements, which is the same as the basis used for budget preparation.

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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

To the Mayor and Board of Alderpersons  
City of Morton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morton, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statement, which collectively comprise the City of Morton, Mississippi's basic financial statement and have issued our report thereon dated December 15, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as 2015-01 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Morton, Mississippi's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*The Millon Group, PLLC*

Natchez, Mississippi

December 15, 2016

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

To the Mayor and Board of Alderpersons  
City of Morton, Mississippi

We have audited the basic financial statement of the City of Morton, Mississippi, as of and for the year ended September 30, 2015, and have issued our report dated December 15, 2016. 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*.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Morton, Mississippi's compliance with those requirements. Accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statement disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Alderpersons, management, and 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.

*The Gillon Group, PLLC*

Natchez, Mississippi

December 15, 2016

**CITY OF MORTON, MISSISSIPPI**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2015**

**(1) SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statement of the City of Morton, Mississippi.
2. There are no significant deficiencies relating to the audit of the financial statement reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statement of the City of Morton, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**(2) FINDINGS - FINANCIAL STATEMENT AUDIT**

2015-01     Financial Statement Preparation

Condition: Because of the limitations of the City's small office staff, there are not otherwise any controls in place that would provide for appropriate review of journal entries recorded or other significant transactions, or allow management or employees, in the normal course of performing their assigned duties, to prevent or detect misstatements in the financial statement in a timely manner. Additionally, the City relies on its external auditors to prepare the external financial statement and related disclosures. Under U.S. generally accepted auditing standards, external auditors cannot be considered part of its internal controls over financial reporting.

Reason Improvement Needed: The design of internal controls over financial reporting is a decision that must be evaluated from a cost-benefit perspective by management.

Cause: Management decision in the design of the internal control structure.

Effect: Financial statement produced by the City might contain material errors.

Recommendation: Management should continue to assess the cost benefits of improving internal controls over financial reporting.

Management's Response:

Management is aware of this deficiency in financial reporting controls. The City has limited staff, and preparing the financial statement would require hiring someone to prepare the statement. The added expense of complying with this control would not be cost effective for a small-sized municipality such as the City of Morton. The management of the City feels that the monthly reports given to the Mayor and the Board of Alderpersons include accurate and timely financial information to safeguard the finances of the City of Morton.