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THE CITY OF MORTON  
Audited Financial Statements  
For the Year Ending September 30, 2008

Presented by:  
Dribben & Associates, Ltd.  
P.O. Box 1411  
113 North Broadway Ave.  
McComb, MS 39649-1411

CITY OFFICIALS  
As of September 30, 2008

MAYOR  
Greg Butler

Alderman, Ward 1  
Annie H. Owens

Alderman, Ward 3  
David B. French

Alderman, Ward 5  
William R. Booth

Alderman, Ward 2  
Janet Jones

Alderman, Ward 4  
Oneida Hollis



CITY OF MORTON

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CITY OF MORTON

FINANCIAL AUDIT REPORT

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

August 5, 2009

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, 2008, 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.

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, 2008, 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 August 5, 2009 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 supplementary information required by the Governmental Accounting Standards Board.

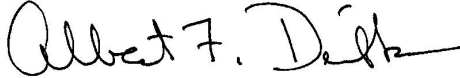
- 7 -

- Al Dribben, CPA

The Budgetary Comparison Schedule and corresponding notes on pages 40-41 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the supplementary 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 that reads "Albert F. Dribben". The signature is written in a cursive style with a long horizontal flourish at the end.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

CITY OF MORTON

FINANCIAL STATEMENTS

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**CITY OF MORTON**  
Statement of Net Assets  
September 30, 2008

Exhibit A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 879,800	1,280,881	2,160,681
Receivables	66,663	167,525	234,188
Restricted assets - cash		48,000	48,000
Total Current Assets	<u>946,463</u>	<u>1,496,406</u>	<u>2,442,869</u>
Capital assets, not being depreciated			
Land	10,000		10,000
Depreciable Capital assets, net	<u>1,134,175</u>	<u>9,288,557</u>	<u>10,422,732</u>
Total Noncurrent Assets	<u>1,144,175</u>	<u>9,288,557</u>	<u>10,432,732</u>
Total Assets	<u>\$ 2,090,638</u>	<u>10,784,963</u>	<u>12,875,601</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 153,082	143,094	296,176
Accrued interest payable		7,546	7,546
Contract retainage payable		31,662	31,662
Capital debt - current	31,826	404,342	436,168
Non-capital debt - current	621	4,742,081	4,742,702
Total Current Liabilities	<u>185,529</u>	<u>5,328,725</u>	<u>5,514,254</u>
Noncurrent Liabilities:			
Capital debt - noncurrent	166,333	339	166,672
Non-capital debt - noncurrent	20,083	10,971	31,054
Total Noncurrent Liabilities	<u>186,416</u>	<u>11,310</u>	<u>197,726</u>
Total Liabilities	<u>371,945</u>	<u>5,340,035</u>	<u>5,711,980</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	946,016	8,883,876	9,829,892
Restricted for:			
Debt service	11,901		11,901
Unrestricted	760,776	(3,432,008)	(2,671,232)
Total Net Assets	<u>\$ 1,718,693</u>	<u>5,451,868</u>	<u>7,170,561</u>

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

**CITY OF MORTON**  
Statement of Activities  
For the Year Ended September 30, 2008

Exhibit B

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets		
					Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 294,157	278,768	11,957	32,302	28,870		28,870
Public safety	970,356	437	54,002	62,072	(853,845)		(853,845)
Public works	487,706		62,674	6,835	(418,197)		(418,197)
Culture and recreation	154,991		5,210		(149,781)		(149,781)
Interest and fiscal charges	8,676				(8,676)		(8,676)
Total governmental activities	<u>1,915,886</u>	<u>279,205</u>	<u>133,843</u>	<u>101,209</u>	<u>(1,401,629)</u>	<u>-</u>	<u>(1,401,629)</u>
<b>Business-type activities:</b>							
Water	552,590	698,459				145,869	145,869
Sewer	403,423	1,578,081		450,101		1,624,759	1,624,759
Waste water treatment	1,128,961					(1,128,961)	(1,128,961)
Waste disposal	166,610	171,641				5,031	5,031
Interest and fiscal charges	129,326					(129,326)	(129,326)
Total business-type activities	<u>2,380,910</u>	<u>2,448,181</u>	<u>-</u>	<u>450,101</u>	<u>-</u>	<u>517,372</u>	<u>517,372</u>
Total Primary Government	<u>\$ 4,296,796</u>	<u>2,727,386</u>	<u>133,843</u>	<u>551,310</u>	<u>(1,401,629)</u>	<u>517,372</u>	<u>(884,257)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 578,497		578,497
State grant income					553,644		553,644
Interest and investment earnings					47,432	41,472	88,904
Miscellaneous					218,494	11,632	230,126
Total general revenues					<u>1,398,067</u>	<u>53,104</u>	<u>1,451,171</u>
Change in net assets					(3,562)	570,476	566,914
Net assets - beginning					1,836,493	4,889,847	6,726,340
Prior period adjustments					(114,238)	(8,455)	(122,693)
Net assets - beginning, restated					<u>1,722,255</u>	<u>4,881,392</u>	<u>6,603,647</u>
Net assets - ending					<u>\$ 1,718,693</u>	<u>5,451,868</u>	<u>7,170,561</u>

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

**CITY OF MORTON**Balance Sheet - Governmental Funds  
September 30, 2008Exhibit C

	<u>Major Funds</u> General Fund	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 762,528	117,272	879,800
Receivables	66,663		66,663
Total Assets	<u>\$ 829,191</u>	<u>117,272</u>	<u>879,800</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 150,606	2,476	153,082
Total Liabilities	<u>150,606</u>	<u>2,476</u>	<u>153,082</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service		11,901	11,901
Unrestricted/undesignated, reported in:			
General Fund	678,585		678,585
Special Revenue Funds		102,895	102,895
Total Fund Balances	<u>678,585</u>	<u>114,796</u>	<u>793,381</u>
Total Liabilities and Fund Balances	<u>\$ 829,191</u>	<u>117,272</u>	<u>946,463</u>

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

**CITY OF MORTON**

Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets  
September 30, 2008

Exhibit C-1

Total fund balances - governmental funds		\$ 793,381.00
Amounts requested for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Capital Assets	\$ 2,254,644.00	
Less Accumulated Depreciation	<u>(1,110,469)</u>	
		1,144,175
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
		(216,312)
Total Net Assets - Governmental Funds		<u><u>\$ 1,721,244.00</u></u>

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

**CITY OF MORTON**

Exhibit D

## Statement of Revenues, Expenditures and Changes in Fund Balance

For Governmental Funds

For the Year Ended September 30, 2008

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Taxes	\$ 517,866	-	517,866
Licenses and permits	17,719	-	17,719
Intergovernmental revenues	736,482	294,710	1,031,192
Charges for services	103,146	17,902	121,048
Fines	102,318	-	102,318
Interest	26,986	1,628	28,614
Rent	43,500	-	43,500
Miscellaneous	26,246	6,384	32,630
<b>Total Revenues</b>	<b>1,574,263</b>	<b>320,624</b>	<b>1,894,887</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	289,177	-	289,177
Public safety	704,896	223,159	928,055
Public works	469,470	-	469,470
Culture and recreation	114,579	18,832	133,411
Capital Outlay	11,896	158,700	170,596
<b>Debt Service:</b>			
Principal	47,540	-	47,540
Interest	8,676	-	8,676
<b>Total Expenditures</b>	<b>1,646,234</b>	<b>400,691</b>	<b>2,046,925</b>
Excess (deficiency) of revenues over expenditures	(71,971)	(80,067)	(152,038)
<b>Other Financing Sources (Uses):</b>			
Sale of fixed assets	30,935	-	30,935
Proceeds of loans	-	107,887	107,887
<b>Total Other Financing Sources and Uses</b>	<b>30,935</b>	<b>107,887</b>	<b>138,822</b>
Net change in fund balances	(41,036)	27,820	(13,216)
<b>Fund Balances:</b>			
October 1, 2007	628,476	101,761	730,237
Prior period adjustments	91,145	(14,785)	76,360
October 1, 2007, as adjusted	719,621	86,976	806,597
September 30, 2008	\$ 678,585	114,796	793,381

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

**CITY OF MORTON**

Exhibit D-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds in the Statement of Activities  
For the Year Ended September 30, 2008

	<u>Amount</u>
Net change in fund balances	\$ (13,216.00)
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets, as follows:	170,596
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over the estimated useful lives in the Statement of Activities.	(84,546)
3. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(13,498)
4. Proceeds from debt issues are an other financing source in the governmental funds, but a debt issue increases long-term liabilities in the Statement of Net Assets.	(107,887)
5. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	47,540
6. Expenses in the Statement of Activities normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(2,551)
Change in Net Assets of Governmental Funds	<u>\$ (3,562)</u>

**CITY OF MORTON**  
Statement of Net Assets  
Proprietary Funds  
September 30, 2008

Exhibit E

	Business-type Activities							Total Business-type Activities	
	Water and Sewer Fund	1-20 Development	SRF Construction	City SRF Sewer #1	Koch Food Feed Mill Grant	2007 SRF Downtown Water Imprvment	CDBG Economic Development		Water Meter Deposits Fund
<b>ASSETS:</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 1,165,199	-	668	250	-	-	15,746	99,018	1,280,881
Receivables	167,525	-	-	-	-	-	-	-	167,525
Restricted assets - cash	48,000	-	-	-	-	-	-	-	48,000
Total Current Assets	<u>1,380,724</u>	<u>-</u>	<u>668</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>15,746</u>	<u>99,018</u>	<u>1,496,406</u>
<b>Noncurrent assets:</b>									
Capital assets, net of accumulated depreciation	9,288,557	-	-	-	-	-	-	-	9,288,557
Total Noncurrent assets	<u>9,288,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,288,557</u>
Total Assets	<u>#####</u>	<u>-</u>	<u>668</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>15,746</u>	<u>99,018</u>	<u>10,784,963</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES:</b>									
<b>Current liabilities:</b>									
Accounts payable and accrued liabilities	\$ 98,400	-	-	-	-	-	-	37,754	136,154
Accrued interest payable	7,546	-	-	-	-	-	-	-	7,546
Contract retainage payable	-	5,330	-	-	18,959	7,373	-	-	31,662
Current portion of long-term debt									
Capital related liabilities	404,342	-	-	-	-	-	-	-	404,342
Non-capital related liabilities	339	-	-	-	-	-	-	-	339
Total Current Liabilities	<u>510,627</u>	<u>5,330</u>	<u>-</u>	<u>-</u>	<u>18,959</u>	<u>7,373</u>	<u>-</u>	<u>37,754</u>	<u>580,043</u>
<b>Noncurrent liabilities:</b>									
Long-term debt, net of current portion									
Capital related liabilities	4,742,081	-	-	-	-	-	-	-	4,742,081
Non-capital related liabilities	10,971	-	-	-	-	-	-	-	10,971
Total Noncurrent liabilities	<u>4,753,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,052</u>
Total Liabilities	<u>5,263,679</u>	<u>5,330</u>	<u>-</u>	<u>-</u>	<u>18,959</u>	<u>7,373</u>	<u>-</u>	<u>37,754</u>	<u>5,333,095</u>
<b>Net Assets</b>									
Invested in capital assets, net of related debt	4,142,134	-	-	-	-	-	-	-	4,142,134
Restricted for:									
Debt service	48,000	-	-	-	-	-	-	-	48,000
Capital projects	-	(5,330)	668	250	(18,959)	(7,373)	15,746	-	(14,998)
Unrestricted	1,215,468	-	-	-	-	-	-	61,264	1,276,732
Total Net Assets	<u>5,405,602</u>	<u>(5,330)</u>	<u>668</u>	<u>250</u>	<u>(18,959)</u>	<u>(7,373)</u>	<u>15,746</u>	<u>61,264</u>	<u>5,451,868</u>
Total Liabilities and Fund Balances	<u>#####</u>	<u>-</u>	<u>668</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>15,746</u>	<u>99,018</u>	<u>10,784,963</u>

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

**CITY OF MORTON**

Statement of Revenues, Expenditures And Changes in Net Assets  
 Proprietary Funds  
 For the Year Ended September 30, 2008

Exhibit F

	Business-type Activities									Total Business-type Activities
	Water and Sewer Fund	I-20 Development	Butane Road	SRF Construction	City SRF Sewer #1	Koch Food Feed Mill Grant	2007 SRF Downtown Water Imprvment	CDBG Economic Development	Water Meter Deposits Fund	
<b>Operating revenues:</b>										
Charges for services	\$ 2,448,181	-	-	-	-	-	-	-	-	2,448,181
Other revenues	11,632	-	-	-	-	-	-	-	-	11,632
<b>Total Operating Revenues</b>	<b>2,459,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,459,813</b>
<b>Operating Expenses:</b>										
Personnel services	599,498	-	-	-	-	-	-	-	-	599,498
Purchases of services	541,120	-	-	-	-	-	-	-	-	541,120
Materials and supplies	349,663	-	-	-	-	-	-	-	-	349,663
Heat, light, and power	460,810	-	-	-	-	-	-	-	-	460,810
Depreciation	300,493	-	-	-	-	-	-	-	-	300,493
<b>Total Operating Expenses</b>	<b>2,251,584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,251,584</b>
<b>Operating income (loss)</b>	<b>208,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208,229</b>
<b>Non-operating revenues (expenses)</b>										
Interest revenue	38,873	-	-	-	-	-	-	-	2,599	41,472
Intergovernmental revenues	-	57,586	51,980	-	-	251,009	-	89,526	-	450,101
Interest expense	(129,326)	-	-	-	-	-	-	-	-	(129,326)
<b>Total Other Financing Sources and Uses</b>	<b>(90,453)</b>	<b>57,586</b>	<b>51,980</b>	<b>-</b>	<b>-</b>	<b>251,009</b>	<b>-</b>	<b>89,526</b>	<b>2,599</b>	<b>362,247</b>
<b>Income before contributions and transfers</b>	<b>117,776</b>	<b>57,586</b>	<b>51,980</b>	<b>-</b>	<b>-</b>	<b>251,009</b>	<b>-</b>	<b>89,526</b>	<b>2,599</b>	<b>570,476</b>
<b>Transfers:</b>										
Residual equity transfers in	1,241,176	-	-	-	-	-	-	-	-	1,241,176
Operating transfers in	-	-	-	-	-	-	775,159	-	-	775,159
Operating transfers out	(775,159)	-	-	-	-	-	-	-	-	(775,159)
Residual equity transfers out	-	(62,916)	(51,980)	-	-	(269,968)	(782,532)	(73,780)	-	(1,241,176)
<b>Total Transfers</b>	<b>466,017</b>	<b>(62,916)</b>	<b>(51,980)</b>	<b>-</b>	<b>-</b>	<b>(269,968)</b>	<b>(7,373)</b>	<b>(73,780)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>583,793</b>	<b>(5,330)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,959)</b>	<b>(7,373)</b>	<b>15,746</b>	<b>2,599</b>	<b>570,476</b>
<b>Fund Balances:</b>										
Total net assets at the beginning of the year	4,830,264	-	-	668	250	-	-	-	58,665	4,889,847
Prior period adjustments	(8,455)	-	-	-	-	-	-	-	-	(8,455)
Total net assets at the beginning of the year, as restated	4,821,809	-	-	668	250	-	-	-	58,665	4,881,392
<b>Total net asset at the end of the year</b>	<b>\$ 5,405,602</b>	<b>(5,330)</b>	<b>-</b>	<b>668</b>	<b>250</b>	<b>(18,959)</b>	<b>(7,373)</b>	<b>15,746</b>	<b>61,264</b>	<b>5,451,868</b>

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

**CITY OF MORTON**

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2008

Exhibit G

	Water and Sewer Fund	SRF Construction	City SRF Sewer #1	CDBG Economic Development	Water Meter Deposits Fund
Cash flows from operating activities:					
Cash received from customers	\$2,494,989	-	-	-	-
Cash paid to suppliers	(1,547,389)	-	-	-	(820)
Cash paid to employees	(599,498)	-	-	-	-
Net cash provided by operating activities	<u>348,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(820)</u>
Cash flows from non-capital financing activities:					
Intergovernmental revenues	450,101	-	-	89,526	-
Operating transfers out	(775,159)	-	-	(73,780)	-
Net cash (used) for capital and related activities	<u>(325,058)</u>	<u>-</u>	<u>-</u>	<u>15,746</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Principal paid on capital debt	(383,793)	-	-	-	-
Proceeds of debt	1,115,741	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Interest paid on capital debt	(13,420)	-	-	-	-
Net cash (used) for capital and related activities	<u>718,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:					
Interest and dividends	38,873	-	-	-	2,599
Net cash provided (used) by investing activities	<u>38,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,599</u>
Net increase in cash and cash equivalents	780,445	-	-	15,746	1,779
Cash and cash equivalents at beginning of year	990,588	668	250	-	97,239
Cash and cash equivalents at end of year	<u>\$1,771,033</u>	<u>668</u>	<u>250</u>	<u>15,746</u>	<u>99,018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 208,229	-	-	-	-
Adjustment to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	300,493	-	-	-	-
Changes in assets and liabilities:					
Receivables	46,808	-	-	-	-
Accounts payable and other accrued liabilities	(52,388)	-	-	-	(820)
Net cash provided by operating activities	<u>\$ 503,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(820)</u>

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

**CITY OF MORTON**  
Statement of Fiduciary Net Assets  
September 30, 2008

Exhibit H

Agency  
Funds

**ASSETS**

Cash and cash equivalents  
Total Assets

\$ 53,176  
\$ 53,176

**LIABILITIES**

Accounts payable and accrued liabilities  
Total Liabilities

\$ 46,176  
46,176

**FUND BALANCES:**

Reserved for:

Unemployment benefits  
Total Fund Balances

7,000  
7,000

Total Liabilities and Fund Balances

\$ 53,176  
53,176

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

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the city have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the city's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the governmental unit's elected or appointed officials.

B. Basic of presentation

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into three fund categories, Governmental, business type and agency funds for financial statement presentation purposes. Governmental funds include the general, debt service and capital projects funds. Proprietary funds include the water and sewer fund. The city has three fiduciary agency funds.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the city as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differ from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets presents the financial condition of the governmental activities of the city at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the city's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the city, with certain limited exceptions. The comparison of direct

## CITY OF MORTON

### Notes to the Financial Statements For the Year Ended September 30, 2008

expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the city.

Net Assets should be reported as restricted when constraints placed on net assets used are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### *Fund Financial Statements:*

Fund financial statements of the city are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

#### C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations, and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit D.

## CITY OF MORTON

### Notes to the Financial Statements For the Year Ended September 30, 2008

#### *Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current period). This includes investment earnings, fines and forfeitures. In accordance with GASB 36, certain state-levied locally shared taxes including motor vehicle license tax and gasoline taxes are considered voluntary non-exchange transactions. These types of transactions are subject to six months accrual and income recognition. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until they become available.

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessments receivable are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues are recognized when received in cash because they are generally not measurable until actually received.

#### *Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

#### PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized with incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services.

#### FIDUCIARY FUNDS

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.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications prescribed in *the Municipal Audit and Accounting Guide* issued by the Office of the State Auditor.

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents

The city deposits excess funds in the financial institutions selected by the city. State statutes specify how these depositories are to be selected. Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 3 months or less when acquired. Cash and cash equivalents are valued at cost.

G. Investments.

The city can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Inventories are valued at cost (calculated on the first-in, first-out basis).

The cost of governmental fund type inventories is reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50000	40 years
Building improvements	25000	20 years
Improvements other than buildings	25000	20 years
Mobile equipment	5000	5-10 years
Furniture and equipment	5000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J.

Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term liabilities and other long-term liabilities are reported as liabilities in the governmental activities column. See Note 5 for details.

K.

Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. See Note 3 for details for interfund transactions, including operating transfers in/out.

At September 30, 2008, there were no interfund receivables or payables.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

L. Equity Classifications.

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the city:

Reserved for debt service – An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the city based upon an order adopted by the city requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the city, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Compensated Absences.

Employees of the city accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by city policy. Some employees are allowed personal leave and/or vacation leave in accordance with city policy. The city pays for unused leave for employees.

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, and employee resigns or retires.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(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 \$879,800, \$1,280,881 and \$53,176 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$2,160,681 and Restricted Assets \$48,000. 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 \$2,264,570.

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) The following is a summary of interfund transactions and balances:

Transfers In/Out

Proprietary Funds:	Transfers In	Transfers out
Operating transfers in/out:		
Water and sewer fund	-	775,159
CDBG Economic Development	775,159	-
Total	775,159	775,159
Residual equity transfers in/out:		
Water and sewer fund	1,241,176	
I-20 Development		62,916
Butane Road		51,980
Koch Food Feed Mill Grant		269,968
2007 SRF Downtown Water Improvement		782,532
CDBG Economic Development		73,780
Total	1,241,176	1,241,176

Transfers in/out consisted of transfers for operating costs between funds. Residual equity transfers represent transfers of fixed assets.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(4) General Fixed Assets.

A summary of changes in general fixed assets for governmental activities for the year ended September 30, 2008 follows:

**Governmental Activities**

	Beginning Balance 10/1/2007	Additions	Deletions	Adjustments	Ending Balance 9/30/2008
<b>Non-Depreciable Assets</b>					
Land	\$ 10,000	-	-	-	10,000
Total non-depreciable assets	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>Depreciable Assets</b>					
Buildings	747,301	-	-	-	747,301
Building Improvements	-	57,844	-	-	57,844
Infrastructure	301,515	44,765	-	-	346,280
Improvements other	260,000	-	-	-	260,000
Mobile Equipment	611,346	-	(134,980)	12,800	489,166
Furniture & Equipment	34,307	11,500	-	-	45,807
Obligations under capital leases	254,559	56,487	-	(12,800)	298,246
Total depreciable capital assets	<u>2,209,028</u>	<u>170,596</u>	<u>(134,980)</u>	<u>-</u>	<u>2,244,644</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(277,305)	(14,946)	-	(38,124)	(330,375)
Building Improvements	-	(2,314)	-	-	(2,314)
Infrastructure	(153,638)	(4,980)	-	-	(158,618)
Improvements other	(62,400)	(10,400)	-	-	(72,800)
Mobile Equipment	(341,199)	(13,645)	121,482	(159,387)	(392,749)
Furniture & Equipment	(16,859)	(4,282)	-	1	(21,140)
Obligations under capital leases	(105,406)	(33,979)	-	6,912	(132,473)
Total accumulated depreciation	<u>(956,807)</u>	<u>(84,546)</u>	<u>121,482</u>	<u>(190,598)</u>	<u>(1,110,469)</u>
Total depreciable capital assets, net	<u>1,252,221</u>	<u>86,050</u>	<u>(13,498)</u>	<u>(190,598)</u>	<u>1,134,175</u>
Governmental activities capital assets, net	<u>\$ 1,262,221</u>	<u>86,050</u>	<u>(13,498)</u>	<u>(190,598)</u>	<u>1,144,175</u>

Depreciation expense was charged to the following governmental functions:

	Amount
General government	\$ 4,980
Public safety	15,685
Public works	42,301
Culture and recreation	21,580
Total current year depreciation expense	<u>\$ 84,546</u>

Adjustments were made (1) to correct ending balances to actual and (2) to reclassify assets.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

A summary of changes in general fixed assets for business-type assets for the year ended September 30, 2008 follows:

	<b>Business-type Activities</b>				Ending Balance 9/30/2008
	Beginning Balance 10/1/2007	Additions	Deletions	Adjustments	
<b>Non-Depreciable Assets</b>					
Land	\$ 47,319	-	-	-	47,319
Construction in progress	658,680	1,262,415	-	-	1,921,095
Total non-depreciable assets	<u>705,999</u>	<u>1,262,415</u>	<u>-</u>	<u>-</u>	<u>1,968,414</u>
<b>Depreciable Assets</b>					
Infrastructure	13,909,064	103,357	-	-	14,012,421
Mobile Equipment	303,240	-	-	-	303,240
Furniture & Equipment	180,290	26,050	-	-	206,340
Obligations under capital leases	13,284	36,134	-	-	49,418
Total depreciable capital assets	<u>14,405,878</u>	<u>165,541</u>	<u>-</u>	<u>-</u>	<u>14,571,419</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(6,658,238)	(266,211)	-	-	(6,924,449)
Mobile Equipment	(136,652)	(18,930)	-	(7,870)	(163,452)
Furniture & Equipment	(140,572)	(9,082)	-	(5,060)	(154,714)
Obligations under capital leases	(2,391)	(6,270)	-	-	(8,661)
Total depreciable capital assets, net	<u>(6,937,853)</u>	<u>(300,493)</u>	<u>-</u>	<u>(12,930)</u>	<u>(7,251,276)</u>
Total depreciable capital assets, net	7,468,025	(134,952)	-	(12,930)	7,320,143
Business-type activities capital assets, net	<u>\$ 8,174,024</u>	<u>1,127,463</u>	<u>-</u>	<u>(12,930)</u>	<u>9,288,557</u>

Depreciation expense was charged to the following business-type functions:

	Amount
Enterprise fund - water and sewer	\$ 300,493
Total current year depreciation expense	<u>\$ 300,493</u>

Adjustments were made (1) to correct ending balances to actual, and (2) to reclassify assets.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

As of September 30, 2008, the city had the following commitments with respect to unfinished capital projects:

	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
2005 CDBG Infrastructure Project at Koch Foods	\$ 18,246	December 2008
Downtown Water Line Project	179,869	April 2009
Highway 13 & Interstate 20 Development Project	527,410	March 2009
CDBG Butane Road Project	13,600	July 2009
2007 CDBG Koch Feedmill Infrastructure Project	<u>308,630</u>	June 2009
Totals	<u>\$ 1,047,755</u>	

(5) Long Term Debt Obligations.

The following is a summary of changes to long-term debt:

	<u>Balance 10/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2008</u>	<u>Amount Due within one year</u>
<b>Governmental activities:</b>					
A. General obligation bonds payable	\$ -	51,400	(3,243)	48,157	4,456
A. Other loans payable	971	-	(971)	-	-
B. Obligations under capital leases payable	136,841	56,487	(43,325)	150,002	45,654
C. Compensated absences payable	<u>18,153</u>	<u>2,551</u>	<u>-</u>	<u>20,704</u>	<u>621</u>
Governmental Funds Total:	<u>\$ 155,965</u>	<u>110,438</u>	<u>(47,539)</u>	<u>218,863</u>	<u>50,732</u>
<b>Business-type activities:</b>					
A. General obligation bonds payable	\$ 372,344		(31,295)	341,049	32,881
B. Other loans payable	4,030,898	1,079,606	(345,995)	4,764,509	360,947
C. Obligations under capital leases payable	11,232	36,135	(6,503)	40,864	10,514
D. Compensated absences payable	<u>18,183</u>	<u>-</u>	<u>(6,873)</u>	<u>11,310</u>	<u>339</u>
Business-type activities total	<u>4,432,657</u>	<u>1,115,741</u>	<u>(390,666)</u>	<u>5,157,732</u>	<u>404,681</u>
Total all long-term liabilities	<u>\$ 4,588,622</u>	<u>1,226,179</u>	<u>(438,205)</u>	<u>5,376,595</u>	<u>455,413</u>

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

A maturity schedule for each loan type in the governmental activities funds is as follows:

**Governmental activities long-term obligations**

A. General obligation bonds payable:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Library Roof Bonds	4.25%	14-Dec-07	14-Dec-17	51,400	48,157
Total				<u>\$ 51,400</u>	<u>48,157</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending Sept 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,456	1,961	6,417
2010	4,649	1,767	6,416
2011	4,851	1,566	6,417
2012	5,061	1,356	6,417
2013	5,280	1,136	6,416
2014-2017	<u>23,860</u>	<u>22</u>	<u>23,882</u>
Total	<u>\$ 48,157</u>	<u>7,808</u>	<u>55,965</u>

This debt will be repaid from the \_\_\_\_\_ fund.

B. Obligation under capital lease payable.

The city has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of:

1. Fire tanker, 2000 gallons - 2002
2. Asphalt roller – 2003
3. Police vehicle - 2006
4. Police vehicle – 2007
5. New Holland tractor
6. Police vehicle – 2008
7. Pickup Truck – 2008

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Options under capital leases payable are as follows:

1. Title passes to lessee at the lease expiration for no further consideration.
2. Lease may be terminated without penalty in the event of nonappropriation of funds.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Fire Tanker, 2000 gallons	4.95%	Jun. 2002	Jun. 2012	\$ 125,060	57,450
Police Vehicle - 2006	4.15%	Feb. 2006	Feb. 2009	19,368	2,836
Police Vehicle - 2007	4.39%	Dec. 2006	Jan. 2012	19,814	9,128
New Holland Tractor	4.49%	Jan. 2007	Jan. 2012	45,077	31,159
Police Vehicle - 2008	4.39%	Jan. 2008	Feb. 2011	20,352	16,601
Pickup Truck - 2008	4.44%	Jan. 2008	Jan. 2012	6,965	5,888
Case Backhoe Loader	3.69%	Apr. 2008	Apr. 2013	29,170	26,939
				<u>\$ 265,806</u>	<u>150,002</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 45,654	11,668	57,323
2010	40,010	9,688	49,698
2011	35,133	7,926	43,058
2012	25,518	5,836	31,354
2013	3,686	3,025	6,712
2014-2018	-	2,157	2,157
Total	<u>\$ 150,002</u>	<u>40,300</u>	<u>190,302</u>

This debt will be retired from the general fund.

C. Compensated absences payable.

As more fully explained in Note 1(N), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

**Business type activities long-term obligations**

A. General obligation bonds payable:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Water & Sewer Improvement Bonds	5.00%	1-May-85	17-Sep-17	\$ 787,000	341,049
Total				\$ 787,000	341,049

The following is a schedule by years of the total payments due on this debt:

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 32,881	16,306	49,188
2010	34,563	14,624	49,188
2011	36,332	12,856	49,188
2012	38,190	10,997	49,188
2013	40,144	9,043	49,188
2014-2017	158,938	14,781	173,719
Total	\$ 341,049	78,607	419,657

This debt will be repaid from the Water & Sewer Fund.

The amount of total bonded indebtedness that can be incurred by the city is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such city, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of September 30, 2008, the amount of outstanding bonded indebtedness was equal to 2.65% of property assessments of \$14,683,602 as of October 1, 2007, computed as follows:

Bonded Debt:	
Governmental activities:	
General Government Bonded Debt:	\$ 48,157
Business-type activities:	
Water & Sewer Fund Bonded Debt:	341,049
Total bonded debt	\$ 389,206
Assessed Valuation	\$ 14,683,602
Percentage	2.65%

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

B. Other loans payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2004 GMC Truck	4.29%	Dec. 2003	Nov. 2008	\$ 11,902	633
State Revolving Fund-1992	3.00%	Oct. 1992	May 2012	3,499,955	817,819
State Revolving Fund-2003	1.75%	Aug. 2002	Nov. 2024	364,806	308,709
State Revolving Fund-2006	2.00%	Aug. 2006	Jun. 2026	1,596,281	1,466,821
State Revolving Fund-2008	2.75%	Apr. 2008	Jan. 2028	304,447	299,555
Drinking Water Improv Revolving Loan-2005	4.00%	June 2005	Mar 2025	1,127,564	997,399
Drinking Water Improv Revolving Loan-2006	2.50%	Feb 2007	Oct 2026	105,100	98,416
				<u>\$ 7,010,055</u>	<u>3,989,350</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending Sept 30	Principal	Interest	Admin. Fees	Total
2009	\$ 360,947	75,896	29,284	466,128
2010	370,747	91,077	3,668	465,492
2011	381,494	83,997		465,492
2012	313,669	73,218		386,888
2013	162,497	67,183		229,680
2014-2018	881,428	266,970		1,148,399
2019-2023	1,009,991	138,408		1,148,399
2024-2028	508,576	43,546		552,122
Total	<u>\$ 3,989,350</u>	<u>840,295</u>	<u>32,953</u>	<u>4,862,598</u>

Note: State Revolving Fund Loans 2006 and 2008 charge administrative fees in the first years in lieu of interest.

This debt will be repaid from the Water & Sewer Fund.

C. Obligations under capital lease payable.

The city entered into a lease agreement for the following:

1. Chevrolet 2007 Truck
2. 2008 Pickup Truck
3. Case Backhoe Loader

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Options under capital leases payable are as follows:

1. Title passes to lessee at the lease expiration for no further consideration.
2. Lease may be terminated without penalty in the event of nonappropriation of funds.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2007 Chevrolet Truck	4.49%	11-Nov-06	1-Jan-11	\$ 13,284	8,037
2008 Pickup Truck	4.44%	25-Jan-08	25-Jan-12	6,965	5,888
Case Backhoe Loader	3.69%	25-Apr-08	25-Apr-13	29,170	26,939
				<u>\$ 49,419</u>	<u>40,864</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 10,514	5,008	15,521
2010	10,949	4,714	15,663
2011	8,948	4,439	13,386
2012	6,767	3,649	10,416
2013	<u>3,686</u>	<u>1,889</u>	<u>5,575</u>
Total	<u>\$ 40,864</u>	<u>19,698</u>	<u>60,561</u>

This debt will be repaid from the Water & Sewer Fund.

D. Compensated absences payable

As more fully explained in Note 1(N), compensated absences payable will be adjusted on an annual basis.

(6) 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 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 7.25% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2008, 2007 and 2006 were \$136,509, \$122,047 and \$116,345, respectively, which equaled the required contributions for each year.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(7) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations:

Governmental Activities:

An adjustment to correct an error in recording a revenue or expenditure in a prior year.	\$	76,360
An adjustment to correct an error in recording depreciation expense in a prior period.	\$	(190,598)

Business-type Activities:

An adjustment to correct an error in recording a revenue or expenditure in a prior year.		(8,455)
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Total Exhibit B	\$	<u>(122,693)</u>
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Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Explanations:

General Fund

An adjustment to correct an error in recording a revenue or expenditure in a prior year.	\$	91,145
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Other governmental funds

An adjustment to correct an error in recording a revenue or expenditure in a prior year.		(14,785)
--	--	----------

Total Exhibit D	\$	<u>76,360</u>
-----------------	----	---------------

Exhibit F - Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Funds

Explanations:

Water and Sewer Fund

An adjustment to correct an error in recording a revenue or expenditure in a prior year.	\$	(8,455)
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Total Exhibit F	\$	<u>(8,455)</u>
-----------------	----	----------------

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(8) 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.

(9) Subsequent Events.

On October 7, 2008, the board approved the bid of Bill Owens in the amount of \$51,443 for the relocation of water lines on Hwy 481 S.

On October 21, 2008 the board approved the sole bid of \$249,893 from Pierce Manufacturing for the a new fire truck; approved Bancorp South financing of 5.06% interest with 120 monthly payments of \$1,276; and approved for the city to apply for a \$50,000 grant toward the cost of the fire truck.

On November 14, 2008 the lowest and best bid of Precision Communications, Inc of \$17,288 each or \$34,576 for (2) weather sirens was accepted and the board approved matching of \$1,831 for a MEMA grant of \$32,745 for the sirens.

On December 16, 2008, the board approved the application for a \$10,000 grant from MS Wildlife and Parks to upgrade the walking track at the park with the city providing 20% match, or \$2,000.

On January 6, 2009, the board approved the sole quote of BBI, Inc. for accounting software for \$9,800, with city making 36 monthly payments of \$332 each, and the board accepted quote from Bancorp South Equipment Finance of 3.45% for 3 years on a new Dodge Charger police car purchased at \$21,069.

On February 3, 2009, the board approved the purchase of high frequency radios for Public Works Department on state contract at \$22,560 and on March 17, 2009, the board approved financing of the radios by Priority One Bank with a rate of 3.465% for 36 months and also approved a Stimulus Grant of \$14,815 from US Dept. of Justice to purchase police equipment (radios).

On February 17, 2009, the board approved a \$29,688 FEMA grant for the fire department, with the city matching \$1,562; a total project of \$31,250.

On March 17, 2009, the board approved an application for COPS Grant for hiring one police officer for 3 years with the city to pay for succeeding 12 months of salary.

CITY OF MORTON

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(10) 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 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.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF MORTON**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2008

Schedule 1-A

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
Revenues:					
Taxes	\$ 546,220	546,220	517,866	-	(28,354)
Licenses and permits	6,800	6,800	17,719	-	10,919
Intergovernmental revenues	656,300	656,300	736,482	-	80,182
Charges for services	85,000	85,000	103,146	-	18,146
Fines	110,000	110,000	102,318	-	(7,682)
Interest	17,500	17,500	26,986	-	9,486
Rent	42,000	42,000	43,500	-	1,500
Miscellaneous	8,000	8,000	26,246	-	18,246
Total Revenues	<u>1,471,820</u>	<u>1,471,820</u>	<u>1,574,263</u>	<u>-</u>	<u>102,443</u>
Expenditure:					
General government	327,311	340,155	289,177	12,844	(50,978)
Public safety	733,369	733,369	704,896	-	(28,473)
Public works	398,422	454,689	469,470	56,267	14,781
Culture and recreation	103,623	103,623	114,579	-	10,956
Capital outlay	14,095	18,655	11,896	4,560	(6,759)
Debt service:	-	-	-	-	-
Principal	-	47,540	47,540	47,540	-
Interest and other charges	-	8,676	8,676	8,676	-
Total Expenditures	<u>1,576,820</u>	<u>1,706,707</u>	<u>1,646,234</u>	<u>129,887</u>	<u>(60,473)</u>
Excess (deficit) of revenues over expenditures	(105,000)	(234,887)	(71,971)	(129,887)	162,916
Other Financing Sources (Uses):					
Sale of Fixed Assets	-	30,935	30,935	30,935	-
Total Other Financing Sources and Uses	<u>-</u>	<u>30,935</u>	<u>30,935</u>	<u>30,935</u>	<u>-</u>
Net change in fund balances	<u>(105,000)</u>	<u>(203,952)</u>	<u>(41,036)</u>	<u>(98,952)</u>	<u>162,916</u>
Fund Balances:					
October 1, 2007			628,476		
Prior period adjustments			<u>91,145</u>		
October 1, 2007, as restated			<u>719,621</u>		
September 30, 2008			<u>\$ 678,585</u>		

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

CITY OF MORTON

Notes to the Required Supplementary Information  
For the Year ended September 30, 2008

Budgetary Comparison Schedule

(1) Basis of Comparison

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the aldermen. Amendments can be made on the approval of the aldermen. By statute, final budget revisions must be approved. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

CITY OF MORTON

SUPPLEMENTAL INFORMATION

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THE CITY OF MORTON  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2008

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Project Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed thru the Mississippi Development Authority			
Community Development Block Grants/State's Program-Boykin Street Repair	14.228	1113-96-267-EM-01	\$ 48,185
Community Development Block Grants/State's Program-Butane Road	14.228	1123-06-267-PF-01	42,982
Community Development Block Grants/State's Program-Koch Feed Mill	14.228	1123-06-267-ED-01	167,121
Community Development Block Grants/State's Program-Koch Prepared Plant	14.228	1122-05-267-ED-01	89,526
Home Investments Partnerships Program	14.239	1216M04SG280118	<u>31,725</u>
Total U. S. Department of Housing and Urban Development			<u>379,539</u>
<u>U. S. Office of Water, Environmental Protection Agency</u>			
Passed thru the Mississippi Department of Environmental Quality			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280089-03	<u>155,259</u>
Total U. S. Office of Water, Environmental Protection Agency			<u>155,259</u>
Total for All Federal Awards			<u>\$ 534,798</u>

NOTES TO SCHEDULE

This schedule was prepared using the same basis of accounting and the same significant of accounting policies, as applicable used for the financial statements.  
 The expenditure amounts include transfers out.  
 The pass-through entities did not assign identifying numbers to the city.

CITY OF MORTON  
 Schedule of Surety Bonds of City Officials  
 September 30, 2008

Schedule 2

Name	Position	Surety Bond Company	Amount
Greg Butler	Mayor	St. Paul/Travelers Insurance Co.	\$ 25,000
David French	Alderman	St. Paul/Travelers Insurance Co.	25,000
Janet Jones	Alderman	St. Paul/Travelers Insurance Co.	25,000
Annie H. Owens	Alderman	St. Paul/Travelers Insurance Co.	25,000
Alpha O. Hollis	Alderman	St. Paul/Travelers Insurance Co.	25,000
William R. Booth	Alderman	St. Paul/Travelers Insurance Co.	25,000
Dorothy Redeemer	City Clerk	St. Paul/Travelers Insurance Co.	50,000
Jimmy D. Rogers	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 Dispatcher (\$25,000), the Deputy City Clerks (\$10,000), and all other personnel that handle cash (\$10,000).

CITY OF MORTON

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

CITY OF MORTON

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

August 5, 2009

Mayor and Board of Aldermen  
City of Morton

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, 2008, which collectively comprise the City of Morton's basic financial statements and have issued our report thereon dated August 5, 2009. 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the city's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

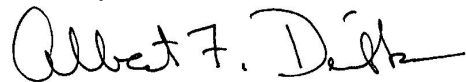
The city's corrective action plan relating to the finding in the paragraph above is attached; however, we did not audit the information and express no opinion on it.

#### 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, management, 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.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 5, 2009

Mayor and Board of Aldermen  
City of Morton

Compliance

We have audited the compliance of the City of Morton with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The city's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the city's management. Our responsibility is to express an opinion on the city's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the city's compliance with those requirements.

In our opinion, City of Morton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City of Morton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the city's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness on the city's internal control over compliance.

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Al Dribben, CPA

P.O. Box 1411 113 North Broadway McComb MS 39649

601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 MS Toll Free email [dribben CPA@ cableone.net](mailto:dribben CPA@ cableone.net)

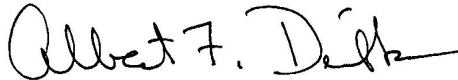
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Sincerely,

A handwritten signature in black ink that reads "Albert F. Dribben". The signature is written in a cursive style with a long horizontal flourish at the end.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

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

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

August 5, 2009

Mayor and Board of Aldermen  
City of Morton

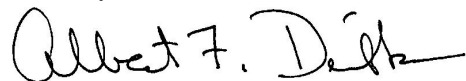
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2008, and have issued our report thereon dated August 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and other such auditing procedures as we considered necessary in the circumstances.

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's compliance with these requirements. Accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Morton had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire. With respect to the items tested, 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 of the city disclosed no instances of noncompliance with state laws and regulations.

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

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

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CITY OF MORTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF MORTON

Schedule of Findings and Questioned Costs  
For the Year Ending September 30, 2008

Section 2: Financial Statement Findings

Reportable condition not considered to be a material weakness.

2008-01 Finding

Criteria:	As reported in prior years' audit reports, the city should report capital assets in accordance with Governmental Auditing Standards Board (GASB) Statement No. 34.
Condition:	As reported in prior years' audit reports; we noted the following internal control weaknesses in our test of general fixed assets: <ul style="list-style-type: none"><li>• Lists of assets with cost and date of acquisition exist; however, they are not totaled for inclusion into the financial statements by function or by category.</li><li>• Current year and accumulated depreciation reports had to be calculated manually. These should be entered into the computer with the use of software capable of calculating these reports on a yearly basis.</li></ul>
Cause:	Procedures and software applications were not utilized in order to comply with the GASB Statement No. 34.
Effect:	Non-compliance of capital asset reporting with GASB Statement No. 34.
Recommendation:	We recommend that the city allocate manpower and time to correct the above problems with input of assets: <ul style="list-style-type: none"><li>• to compute total assets by category and by function.</li><li>• to calculate current year and accumulated depreciation by type of asset and year of use by using computer software.</li></ul>

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

AUDITEE'S CORRECTIVE ACTION PLAN

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



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

**CITY OF MORTON**

P.O. Box 555

Morton, MS 39117

Phone: (601) 732-6252

GREG BUTLER, Mayor

October 8, 2009

Dribben & Associates, Ltd  
P. O. Box 1411  
Macomb, MS 39649-1411

Dear Sir:

The City of Morton, Mississippi respectfully submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned cost for the year ended September 30, 2008.

- a. Name of contact person Responsible for Corrective Action:  
Dorothy Redeemer, City Clerk Phone number (601) 732-8609.
- b. Corrective Action Planned:

Finding 08-01 The City of Morton is looking into purchasing software for general fixed assets and will begin the process of inputting all fixed assets into computer. After completion of this, the city will be able to produce lists of all assets, calculations of current year depreciation, and depreciation.

The City of Morton anticipates March 2010 as the completion date for the corrective actions listed above.

Sincerely,

Dorothy Redeemer  
City Clerk