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CITY OF MACON, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2009

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF MACON, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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**INDEPENDENT AUDITORS' REPORT
ON THE COMBINED STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS AND
SUPPLEMENTAL INFORMATION**

Honorable Mayor and Board of Alderman
City of Macon
Macon, Mississippi

We have audited the accompanying Combined Statement of Cash Receipts and Disbursements of the City of Macon, Mississippi, for the year ended September 30, 2009, as listed in the table of contents. The Combined Statement of Cash Receipts and Disbursements is the responsibility of the City of Macon, Mississippi's management. Our responsibility is to express an opinion on the Combined Statement of Cash Receipts and Disbursements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As discussed in Note 1A, the Combined Statement of Cash Receipts and Disbursements presents only the governmental funds, fiduciary fund, and one proprietary fund and does not purport to, and does not, present fairly the respective results of its operations – cash basis of the City of Macon, Mississippi, as of September 30, 2009, and its proprietary

fund types and nonexpendable trust funds respective results of operations – cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

In our opinion, the Combined Statement of Cash Receipts and Disbursements presents fairly, in all material respects, the respective results of its operations – cash basis of the City of Macon, Mississippi’s governmental funds, fiduciary fund, and one proprietary fund, as of September 30, 2009, and its proprietary fund type and nonexpendable trust funds respective results of operations – cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of the City of Macon, 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 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 important for assessing the results of our audit.

The City of Macon, Mississippi, has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic Combined Statement of Cash Receipts and Disbursements.

Our audit was conducted for the purpose of forming an opinion on the Combined Statement of Cash Receipts and Disbursements taken as a whole. The accompanying schedule of long-term debt, schedule of investments, and schedule of surety bonds for municipal officials are presented for the purposes of additional analysis and are not a required part of the Combined Statement of Cash Receipts and Disbursements. Such information has been subjected to the auditing procedures applied in the audit of the Combined Statement of Cash Receipts and Disbursements and, in our opinion, are fairly stated in all material respects in relation to the Combined Statement of Cash Receipts and Disbursements taken as a whole.

Macon, Mississippi
December 10, 2009

Watkins Ward and Stafford PLLC

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CITY OF MACON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS EXCLUDING THE ELECTRIC PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>
Revenues						
General Property Taxes	\$ 610,895					
Penalties and interest on delinquent taxes	1,467					
Licenses and permits	15,254					
In lieu of taxes/franchise taxes:						
Four-County	8,017					
Mississippi Valley Gas	13,814					
Mississippi Cable	5,649					
Tennessee Valley Authority	55,572					
Macon Electric Department	122,726					
Intergovernmental Revenues:						
Federal Revenue:						
Homeland Security Grant	3,982					
Justice Assistance Grant	5,000					
ARC Grant			305,600			
Rural Development Grant			149,727			
Local Shared Revenues:						
County allocations	46,661					
State Shared Revenues:						
State grants	51,757					
Sales tax	511,593					
Homestead reimbursement	54,407					
Liquor privilege tax	2,250					
Charges for Services:						
Water Utility					933,091	
Refuse collection	167,258					
Fines and forfeitures	40,978					
Interest	8,761	201	836	98	7,277	463
Rents and royalties	79,334					
Perpetual care and sale of lots						2,470
Miscellaneous	14,426	45				
Total Receipts	<u>1,819,801</u>	<u>246</u>	<u>456,163</u>	<u>98</u>	<u>940,368</u>	<u>2,933</u>

The accompanying notes are an integral part of this financial statement.

CITY OF MACON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS EXCLUDING THE ELECTRIC PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>
Other Receipts:						
Loans and Transfers	246,220		280,795	156,713	694,409	
Total Other Receipts	246,220		280,795	156,713	694,409	
Total Receipts	2,066,021	246	736,958	156,811	1,634,777	2,933
Cash Balance - Beginning of Year	574,792	15,175	36,775	68,157	737,301	16,534
Total Amount to Account For	\$ 2,640,813	15,421	773,733	224,968	2,372,078	19,467
Operating Disbursements:						
General government	\$ 645,838					
Public safety:						
Environmental Protection Agency		90				
Police	696,023					
Fire	72,449					
Public works	420,954					
Health and welfare	140,816					
Culture and recreation	108,035					
Engineering and professional fees						
Maintenance						336
Enterprise:						
Water Utility					421,835	
Interest on Bonds				61,158	69,349	
Total Operating Disbursements	2,084,115	90	0	61,158	491,184	336
Other Disbursements:						
Bonds Retired				113,849	49,727	
Capital Outlay	2,563		12,000		739,146	
Loans and Transfers	187,417		729,409		494,418	
Total Other Disbursements	189,980	-	741,409	113,849	1,283,291	-
Total Disbursements	2,274,095	90	741,409	175,007	1,774,475	336
Cash Balance - End of Year	366,718	15,331	32,324	49,961	597,603	19,131
Total Amount Accounted For	\$ 2,640,813	15,421	773,733	224,968	2,372,078	19,467

The accompanying notes are an integral part of this financial statement.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The citizens of Macon, Mississippi have elected to operate under a Code Charter as permitted by Mississippi Statue 21-3-3, which prescribes a Mayor and Board of Alderman form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic-but not only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City of Macon, Mississippi's reporting entity.

Not included within the reporting entity:

City of Macon Electric Department. The Electric Department's governing board is the City of Macon, Mississippi's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body. The Electric Department has been

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

excluded from the City of Macon's financial statement. The Electric Department prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the provision of the power contract between the Electric Department and the Tennessee Valley Authority, and are consistent with the requirements of the Federal Energy Regulatory Commission's system of accounts which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The fiscal year end for the Electric Department is June 30, and a separate audit report was issued on October 26, 2009.

The following is a summary of the more significant accounting principles:

B. Fund Accounting

The accounts of the City of Macon, Mississippi are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into five generic fund types and three broad fund categories as follows:

Governmental Funds

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

Special Revenue Fund- The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. The Special Revenue Fund is the Environmental Protection Agency Fund.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by Proprietary or Nonexpendable Trust Funds.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Proprietary Funds are the Electric System and the Water and Sewer Department. The Electric System operates under the Tennessee Valley Authority and is accounted for and reported on separately with a fiscal year end of June 30.

Fiduciary Funds

Trust and Agency Fund – The Trust and Agency Fund is used to account for assets held by the City of Macon, Mississippi in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Nonexpendable Trust Funds are used to account for the principal portion of Trust Funds, the part which cannot be expended. They are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The Trust and Agency Fund is the Cemetery Fund.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 1: **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Accounting**

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

D. **Use of Estimates**

The preparation of financial statements in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. **Encumbrances**

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

F. **Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Accounts**

For proprietary funds (including Macon Electric and Water and Sewer) the City of Macon, Mississippi records expense and liability for compensated absences as the benefit is earned. Because the focus of the General Fund is "spendable resources" the expenditure is not recorded until the liability is discharged. However, the obligation is recorded in the Schedule of Long-Term Debt as the benefit is earned by the employees. The City of Macon, Mississippi's policy on annual leave is it must be taken within the year accrued. Except for certain situations, five workdays may be carried over into the next year. The carryover of annual leave is immaterial; therefore it is not recorded in the Schedule of Long-Term Debt.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 2: Cash and Other Deposits

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.

The carrying amount of the City's deposits with financial institutions was \$1,081,068 on September 30, 2009, and the bank balance was \$ 1,133,333.

Note 3: Long-Term Debt

The following is a summary of transactions of the City of Macon, Mississippi for the year ended September 30, 2009:

	Balance Outstanding 10/1/2008	Issued	Retired	Balance Outstanding 9/30/2009
Water and Sewer				
Revenue Bonds	\$ 1,529,164		49,728	1,479,436
GO Street Imp Bonds	1,555,459		113,849	1,441,610
Capital Improvements-				
Revolving Loan	62,467		11,065	51,402
Capital Lease Obligations	18,108	1,814	11,606	8,316
Totals	<u>\$ 3,165,198</u>	<u>1,814</u>	<u>186,248</u>	<u>2,980,764</u>

All liabilities of the City of Macon, Mississippi except for Revenue Bonds are secured by the full faith and credit of the municipality.

The three outstanding issues of Revenue Bonds are due in annual installments ranging from \$25,380 to \$43,812 each through various dates, the last of which is the year 2033. Interest rates range from 4.50% to 7.13%.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 3: Long-Term Debt (Continued)

The outstanding issue of General Obligation Bonds is due in annual installments with principal payments due in May of each year and interest payments due in November of each year starting in 2008 and ending in 2019. The payment amounts and the interest rate increase slightly each year. The interest rate starts at 3.7% and ends at 4.1%.

The two outstanding Capital Improvement Revolving loans are due in monthly installments of \$966 and \$2,529.45 per month, the last of which is September 2010, and April 2029. Interest is 3% and 2%. The second of the two Capital Improvement Revolving loans is for \$500,000 and is due in 240 monthly installments to begin 30 days after the completion date of the sewer improvements project. Through September 30, 2009, only \$40,000 had been drawn on this loan and the estimated completion date is September 30, 2010.

The capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Revenue Bond debt service requirements, including interest, for the next five years and to the maturity are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 69,192
2011	\$ 69,192
2012	\$ 69,192
2013	\$ 69,192
2014	\$ 69,192
Thereafter	\$1,253,811

General Obligation Bond debt service requirements, including interest, for the next five years and to the maturity are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 175,577
2011	\$ 176,170

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 3: Long-Term Debt (Continued)

2012	\$ 176,728
2013	\$ 177,179
2014	\$ 177,649
Thereafter	\$ 894,513

Capital Improvements Revolving Loan debt service requirements, including interest for the next five years and to the maturity are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 11,588
2011	\$ 2,429
2012	\$ 2,429
2013	\$ 2,429
2014	\$ 2,429
Thereafter	\$ 38,862

Capital Lease debt service requirements, including interest for the next two years are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 7,838
2011	\$ 706

Note 4: Report Classifications

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

Note 5: Defined Benefit Pension Plan

Plan Description: The City of Macon, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 5: Defined Benefit Pension Plan (Continued)

retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 of Macon, Mississippi 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 are established and may be amended only by the State of Mississippi Legislature. The City of Macon, Mississippi's contributions to PERS for the years ending September 30, 2009, 2008 and 2007 were \$103,501 \$92,663 and \$83,136 respectively, equal to the required contributions for each year.

Note 6: Joint Ventures

The City of Macon, Mississippi entered into an agreement on November 8, 1994, with the Golden Triangle Regional Solid Waste Management Authority. This authority was organized under laws of the state of Mississippi (Section 17-17-301 et seq. Ms. Code of 1972 as amended). The authority's purpose is to operate and maintain a landfill facility. The project was permitted by DEQ in December, 1994. The City of Macon, Mississippi's share of expense and liability is based on a pro rata share of waste tonnage. The other members of the Authority are Noxubee County, City of West Point, Clay County, City of Columbus, Lowndes County, City of Starkville, Oktibbeha County, City of Eupora, Webster County, the Town of Ackerman and Choctaw County.

The City of Macon, Mississippi entered into an inter-local cooperative agreement with Noxubee County, Mississippi and Noxubee County School District on December 11, 2007, to develop and operate the Noxubee Sportsplex. The agreement shall be governed by and construed

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 6: Joint Ventures (Continued)

in accordance with the laws of the State of Mississippi, specifically Sections 17-13-1 et seq., Mississippi Code of 1972, Annotated, as amended, being the Interlocal Government Cooperation Act of 1974, as amended. The parties have agreed to cooperate in the development of the Noxubee Sportsplex that is to be completed in two stages over a period of approximately two years with financial and in-kind contributions from each party. The board of Aldermen of the City of Macon agrees to commit \$50,000 for the first stage and \$50,000 for the second stage plus five years of maintenance and grounds keeping for the ball fields located on the Sportsplex valued at approximately \$50,000 for a five year period. A Board of Governors consisting of five persons will be appointed by the three governmental entities to serve as a joint board for the cooperative undertaking contained in the interlocal agreement. Two members shall be appointed by the Board of Education of Noxubee County, two members shall be appointed by the Board of Supervisors of Noxubee County and one member shall be appointed by the City of Macon. The appointees shall be elected or appointed members of their respective governmental bodies. The two year budget for constructing the Sportsplex, including in-kind services, totals \$1,050,000. The City of Macon's total contribution to the project is \$150,000 with \$50,000 paid on February 1, 2008, \$50,000 on or before February 1, 2009 and the balance of \$50,000 to be satisfied with in-kind services consisting of maintenance and grounds keeping for the ball fields for the first five years of operation. In the event of a shortfall in the construction or operation of the sportsplex, the shortfall will be covered as follows: Noxubee County 29%, City of Macon 14% and the Noxubee School District 57%. In the event of a profit from the operation of the sportsplex, the entities may decide to invest all profits back into the sportsplex; however, each entity reserves the right to withdraw profits based on the following percentages: Noxubee County 29%, City of Macon 14% and the Noxubee School District 57%. In the event that this agreement is not fulfilled or is cancelled in the future, it is understood that the entire ball field complex will be forfeited to the Noxubee County School District. The \$100,000 cash contribution of the City of Macon will be repaid in five equal annual installments of \$20,000 with the first payment being due six months after the complex is turned over to the Noxubee County School District and the remaining payments being due on the anniversary of that date.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 7: Risk Management

The City of Macon, Mississippi is exposed to various risks of loss related to torts; errors and omissions; injuries to employees; and natural disasters. The City of Macon, Mississippi 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.

Note 8: Property Tax

Numerous statutes exist under which the Mayor and Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Mayor and Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. The City taxes are collected and remitted to the City by the Noxubee County Tax Collector.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

CITY OF MACON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Note 8: Property Tax (Continued)

The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

SUPPLEMENTAL INFORMATION

CITY OF MACON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>DEFINITION AND PURPOSE</u>	<u>Balance Outstanding 10-1-2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding 9-30-2009</u>
General Obligation Bonds:				
G O Bonds - 2007	\$ 1,555,459		113,849	1,441,610
Revenue Bonds:				
W & S Revenue Bond - 1999	630,740		14,160	616,580
W & S Revenue Bond - 2001	94,975		21,549	73,426
W & S Revenue Bond - 2003	803,449		14,019	789,430
Other Long-term Debt:				
Capital Improvements-				
Revolving Loan	22,467		11,065	11,402
Sewer Improvements	40,000			40,000
Capital Lease Obligations-				
Police Car	5,481		5,481	
Smith & Wesson		1,814	220	1,594
Leaf Machine	12,627		5,906	6,721
Totals	\$ <u>3,165,198</u>	<u>1,814</u>	<u>186,249</u>	<u>2,980,763</u>

All liabilities of the City of Macon, Mississippi except for Revenue Bonds are secured by the full faith and credit of the municipality.

CITY OF MACON, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

OWNERSHIP	TYPE OF	INTEREST	ACQUISITION	MATURITY	OTHER	INVESTMENT
INVESTMENT	RATE	DATE	DATE	INFORMATION	COST/VALUE	
Special Revenue Fund	Certificate of Deposit	2.00%	3/21/2009	3/21/2010	Bankfirst Financial Services	\$ 10,000
Enterprise Fund- Water Dept.	Certificate of Deposit	3.26%	12/12/2008	12/12/2009	Bankfirst Financial Services	\$ 148,812
TOTAL INVESTMENTS						<u>\$ 158,812.</u>

CITY OF MACON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2009

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Yolanda Atkins	City Clerk	Western Surety Co. \$	50,000
Robert E. Boykin	Mayor	Western Surety Co.	100,000
Aubrey I. Freshour, Jr.	Chief of Police	Western Surety Co.	50,000
Mary Beth Watt	Court Clerk	Western Surety Co.	50,000
Lucious Mason	Deputy Police Chief	Western Surety Co.	25,000
Earnest Harmon	Alderman	Travelers Casualty	50,000
James Watkins	Alderman	Travelers Casualty	50,000
Phillip McGuire	Alderman	Travelers Casualty	50,000
Thomas Campbell	Alderman	Travelers Casualty	50,000
Willie Dixon	Alderman	Travelers Casualty	50,000
Twanda R. Sanders	Water Dept. Clerk	Travelers Casualty	10,000
Peggy Brown	Clerk	Brierfield Insurance	10,000
Latitia Carol Rigdon	Water Dept. Office Mgr	St. Paul Travelers	10,000
Janice Binion	Water Dept. Cashier	Western Surety Co.	10,000
Ernest Jones	Water Dept. Superintendent	St. Paul Travelers	5,000
Dedrick Stevenson	Water Dept. Collector	Brierfield Insurance	5,000
Kevin Mitchener	Water Dept. Collector	Western Surety Co.	5,000

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 Gary C. Hamilton, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA

Wanda S. Holley, CPA
 Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Alderman
 City of Macon
 Macon, Mississippi

We have audited the Combined Statement of Cash Receipts and Disbursements and supplemental information of the City of Macon, Mississippi, as of and for the year ended September 30, 2009, and have issued our report dated December 10, 2009. We have 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. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the Combined Statement of Cash Receipts and Disbursements and supplemental information disclosed no material instances of noncompliance with state laws and regulations.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Macon, Mississippi
 December 10, 2009

Walter Ward

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



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

The Honorable Mayor and Board of Alderman
City of Macon
Macon, Mississippi

We have audited the Combined Statement of Cash Receipts and Disbursements and supplemental information of the City of Macon, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated December 10, 2009. The City of Macon, Mississippi, prepares its Combined Statement of Cash Receipts and Disbursements on the cash receipts and disbursements basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, 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 of Macon, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Combined Statement of Cash Receipts and Disbursements and supplemental information, but not for the purpose of expressing an opinion on the effectiveness of the City of Macon, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Macon, Mississippi'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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City of Macon, Mississippi'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 City of Macon, Mississippi's Combined Statement of Cash Receipts and Disbursements and supplemental information that is more than inconsequential will not be prevented or detected by the City of Macon, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies 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 Combined Statement of Cash Receipts and Disbursements and supplemental information will not be prevented or detected by the City of Macon, Mississippi'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 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 none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Macon, Mississippi's Combined Statement of Cash Receipts and Disbursements and supplemental information are free of 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*.

The City of Macon, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City of Macon, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Alderman, State Department of Audit 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.

Macon, Mississippi
December 10, 2009

Watkins Ward and Stafford PLLC

SCHEDULE OF FINDINGS

CITY OF MACON, MISSISSIPPI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Section 1: Summary of Auditors' Results

1. An unqualified opinion was issued on the Combined Statement of Cash Receipts and Disbursements and supplemental information.
2. The audit of the Combined Statement of Cash Receipts and Disbursements and supplemental information did not disclose any material weaknesses in internal control.
3. The audit did not disclose any reportable conditions of noncompliance which are material to the Combined Statement of Cash Receipts and Disbursements and supplemental information.
4. The auditee qualified as a low-risk auditee.

CITY OF MACON, MISSISSIPPI
SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Section 2: Findings Relating to the Combined Statement of Cash Receipts and Disbursements

2009-01 Finding: As part of the audit, management requested us to prepare a draft of the City of Macon, Mississippi's Combined Statement of Cash Receipts and Disbursements, supplemental information and the related notes to the financial statement. It was also necessary for us to recommend eighteen adjusting journal entries in order to adjust seven balance sheet accounts and several revenue and expense accounts to actual. Management reviewed, approved and accepted responsibility for the financial statement prior to their issuance. The absence of management preparation of the financial statement creates the potential that a misstatement could occur and not be prevented or detected by the City of Macon, Mississippi's internal control.

Recommendation: Management should review, approve and accept recommended adjusting journal entries and auditor prepared financial statement, including supplemental information and disclosures prior to their issuance.

Response: Management will review, approve and accept recommended adjusting journal entries and auditor prepared financial statement, including supplemental information and disclosures prior to their issuance.

2009-02 Finding: Capital projects for the City of Macon Water Department are accounted for in the capital project fund of the City of Macon and are transferred to the proprietary fund with an adjusting journal entry recommended by us. In accordance to Governmental Auditing and Accounting Standards, it is inappropriate to account for proprietary fund capital expenditures in a capital projects fund of the City.

Recommendation: Capital projects for the City of Macon Water Department should be accounted for in the proprietary fund in accordance with governmental auditing and accounting standards.

Response: The City will account for capital project expenditures of the Macon Water Department in the proprietary fund in the future.