

CITY OF MOSS POINT, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

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STATE AUDITOR'S OFFICE

CITY OF MOSS POINT, MISSISSIPPI

CITY OFFICIALS

For the Year Ended September 30, 2008

CITY OFFICIALS

Mayor Aneice Liddell

BOARD OF ALDERMEN/ALDERWOMEN

Alderman at Large	Houston Cunningham
Alderman Ward #1	Sherwood Bradford
Alderman Ward #2	Ruby Hill
Alderman Ward #3	Robert Byrd
Alderman Ward #4	Shirley Chambers
Alderman Ward #5	Thomas Hightower
Alderman Ward #6	George Martin Jr.

DEPARTMENT HEADS

City Clerk	Adlean Liddell
City Attorney	Nathan Bosio
City Accountant	Shavay Gaines
Human Resources	Nicole Jacobs
Economic Development	Linda Holden
Parks and Recreation	Donna Joseph
Community Development	Daphne Viverette
Judicial	Maxine Conway
Building Inspections	Paul Sistrunk
Public Works	Chan Burns
Police	Sheila Smallman
Fire	Mike Dale

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Moss Point, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Moss Point, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Moss Point, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Independent Auditor's Report
Page 2

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and pages 53 through 57, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Moss Point, Mississippi's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Moss Point, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Moss Point, Mississippi. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The remaining supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolfe McDuff & Oppie
Pascagoula, Mississippi
May 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

The discussion and analysis of the City of Moss Point, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- In 2008 and 2007, the City's net assets amounted to \$24,987,171 and \$18,119,166, respectively. The net assets for governmental activities totaled \$20,480,419 in 2008 and \$13,506,230 in 2007, contributing 82% and 75%, respectively, of total net assets; business-type activities contributed 18% and 25%, totaling \$4,506,752 in 2008 and \$4,612,936 in 2007.
- General revenues for 2008 and 2007 were \$9,604,456 and \$9,743,688, equaling 36% and 46% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were \$17,364,159 and \$11,224,734 for 2008 and 2007, equaling 64% and 54% of total revenues.
- In 2008 and 2007, the City had \$23,708,160 and \$20,204,419 in expenses, respectively; only \$17,364,159 and \$11,224,734 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$22,579,231 in 2008 and \$21,429,161 in 2007.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline both functions of the City and business-type activities. The governmental activities of the City include police and fire protection, parks, recreation, public works, urban and economic development, and general administrative services. The business-type activities include the water, sewer and gas system, and solid waste management.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements – Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of the following funds: governmental and proprietary (enterprise) funds.

Notes to the financial statements – The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 30 through 51 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the general fund. This required supplementary information can be found on pages 53 through 57 of this report.

Reporting the City's Most Significant Funds

Fund financial statements begin on page 20 and provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two major types of funds are discussed below:

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in the reconciliations found on pages 21 and 23.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the statement of net assets and the statement of activities. Major proprietary funds include the utility system revenue fund, utility system operation and maintenance fund, and EUD utility revenue fund. Nonmajor proprietary funds include the Moss Point and Escatawpa Utility District water meter deposit funds, Moss Point and Escatawpa Utility District gas meter deposit funds, and EUD utility system operation and maintenance fund, which are combined into a single column on the proprietary fund financial statements. These funds are the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows. The accrual basis of accounting is used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets – Net assets may serve over time as a useful indicator of government's financial position. The following table presents a summary of the City's net assets for the fiscal years ended September 30, 2008 and 2007.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 12,430,023	11,978,216	980,253	347,496	13,410,276	12,325,712
Capital assets	15,209,866	13,599,392	7,369,365	7,829,769	22,579,231	21,429,161
Total assets	<u>27,639,889</u>	<u>25,577,608</u>	<u>8,349,618</u>	<u>8,177,265</u>	<u>35,989,507</u>	<u>33,754,873</u>
Long-term debt outstanding	4,516,652	5,687,078	2,824,559	2,468,986	7,341,211	8,156,064
Other liabilities	2,642,818	6,384,300	1,018,307	1,095,343	3,661,125	7,479,643
Total liabilities	<u>7,159,470</u>	<u>12,071,378</u>	<u>3,842,866</u>	<u>3,564,329</u>	<u>11,002,336</u>	<u>15,635,707</u>
Net assets:						
Invested in capital assets, net						
of debt	9,843,767	7,217,286	4,704,930	5,243,995	14,548,697	12,461,281
Restricted	1,592,055	848,198	663,306	822,155	2,255,361	1,670,353
Unrestricted	9,044,597	5,440,746	(861,484)	(1,453,214)	8,183,113	3,987,532
Total net assets	<u>\$ 20,480,419</u>	<u>13,506,230</u>	<u>4,506,752</u>	<u>4,612,936</u>	<u>24,987,171</u>	<u>18,119,166</u>

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

The City's restricted net assets (e.g. revenue source, sales tax, water, sewer and garbage revenue, CDBG, ad valorem tax) accounted for 9% of total net assets in 2008 and 9% in 2007. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 58% and 69% in 2008 and 2007, respectively. The remaining balance consisted of unrestricted net assets, the part of net assets used to finance everyday operations without constraints of legal requirements.

Changes in net assets – The City's total revenues for the fiscal years ended September 30, 2008 and 2007 were \$26,968,615 and \$20,968,422, respectively. The total cost of all programs and services was \$23,708,160 and \$20,204,419. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2008 and 2007.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 1,975,026	1,624,566	7,806,567	7,380,616	9,781,593	9,005,182
Operating grants and contributions	4,423,382	426,074	-	-	4,423,382	426,074
Capital grants and contributions	3,159,184	1,793,478	-	-	3,159,184	1,793,478
General revenues:						
Property taxes	4,247,242	4,395,479	-	-	4,247,242	4,395,479
Franchise taxes	1,067,812	3,424,005	-	51,739	1,067,812	3,475,744
Other taxes	2,625,561	-	43,734	-	2,669,295	-
Other general revenues	<u>1,589,122</u>	<u>1,725,792</u>	<u>30,985</u>	<u>146,673</u>	<u>1,620,107</u>	<u>1,872,465</u>
Total revenues	<u>19,087,329</u>	<u>13,389,394</u>	<u>7,881,286</u>	<u>7,579,028</u>	<u>26,968,615</u>	<u>20,968,422</u>
Program expenses						
General government	6,692,810	2,843,819	-	-	6,692,810	2,843,819
Public safety	4,319,563	4,170,187	-	-	4,319,563	4,170,187
Public works	1,114,293	1,048,501	-	-	1,114,293	1,048,501
Culture and recreation	737,133	394,568	-	-	737,133	394,568
Urban & economic development	183,486	1,284,191	-	-	183,486	1,284,191
Debt service - interest	325,581	430,888	-	-	325,581	430,888
Natural disaster	1,658,630	1,561,470	-	-	1,658,630	1,561,470
Solid waste	942,090	1,018,005	-	-	942,090	1,018,005
Utility system revenue	-	-	4,073,225	3,800,779	4,073,225	3,800,779
Utility system operation & maintenance	-	-	1,295,780	1,573,483	1,295,780	1,573,483
EUD utility revenue	-	-	1,746,420	1,808,863	1,746,420	1,808,863
Other enterprise funds	-	-	619,149	269,665	619,149	269,665
Total expenses	<u>15,973,586</u>	<u>12,751,629</u>	<u>7,734,574</u>	<u>7,452,790</u>	<u>23,708,160</u>	<u>20,204,419</u>
Excess (deficiency)	3,113,743	637,765	146,712	126,238	3,260,455	764,003
Transfers in (out)	133,365	324,857	(133,365)	(324,857)	-	-
Increase in net assets	<u>\$ 3,247,108</u>	<u>962,622</u>	<u>13,347</u>	<u>(198,619)</u>	<u>3,260,455</u>	<u>764,003</u>

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Governmental activities

The following table presents the cost of major City functional activities: general government, public safety, public works, culture and recreation, urban and economic development, natural disaster, solid waste, and debt service-interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	Governmental Activities			
	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 6,692,810	291,911	2,843,819	1,873,009
Public safety	4,319,563	1,162,870	4,170,187	4,080,383
Public works	1,114,293	1,114,293	1,048,501	1,048,501
Culture and recreation	737,133	737,133	394,568	229,072
Urban & economic development	183,486	183,486	1,284,191	106,719
Natural disaster	1,658,630	1,658,630	-	943,004
Solid waste	942,090	942,090	1,018,005	195,935
Debt service - interest	325,581	325,581	430,888	430,888
Total	<u>\$ 15,973,586</u>	<u>6,415,994</u>	<u>11,190,159</u>	<u>8,907,511</u>

Business-type activities

The City's business-type activities generated a change in net assets of \$13,347. This represents an increase of approximately \$211,966 from the previous year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the City completed the year, its governmental funds reported a combined fund balance of \$10,636,652, compared to \$6,441,950 in the previous year. Activities within the general fund contributed to 73% and 111% of the fund balances in 2008 and 2007, respectively.

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

General Fund Budgetary Highlights

Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Council made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, or 3) Council approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were \$8,029,773 compared to \$8,530,875 of the final budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the general fund is provided in this report as required supplementary information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's total capital assets for 2008 and 2007 were \$22,579,231 and \$21,429,161, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's net assets for the fiscal years ended September 30, 2008 and 2007.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,124,193	2,124,193	189,348	189,348	2,313,541	2,313,541
Construction in progress	4,998,049	3,043,790	-	-	4,998,049	3,043,790
Buildings	8,301,083	8,251,183	18,507,777	18,507,777	26,808,860	26,758,960
Improvements - other	75,000	75,000	-	-	75,000	75,000
Equipment	5,865,269	5,730,488	2,464,149	2,445,739	8,329,418	8,176,227
Infrastructure	2,391,220	2,391,220	-	-	2,391,220	2,391,220
Accumulated depreciation	(8,544,948)	(8,016,482)	(13,791,909)	(13,313,095)	(22,336,857)	(21,329,577)
Total	\$ 15,209,866	13,599,392	7,369,365	7,829,769	22,579,231	21,429,161

This year's major construction projects included:

	Expended through September 30, 2008	Remaining Commitment
Primary Government		
Governmental activities:		
Rohm-Haas Reverse Osmosis	\$ 1,954,259	4,403,562

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Debt Administration

At September 30, 2008, the City had \$8,246,508 in general obligation bonds and other long-term debt outstanding, of which \$1,381,070 is due within one year.

Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds (backed by the City)	\$ 2,395,000	2,945,000	-	-	2,395,000	2,945,000
Revenue bonds and notes (backed by specific tax and fee revenues)	2,854,898	3,153,096	2,522,781	2,531,140	5,377,679	5,684,236
Capital leases	116,201	402,864	141,654	54,633	257,855	457,497
Compensated absences	173,563	153,170	42,411	51,605	215,974	204,775
Total	<u>\$ 5,539,662</u>	<u>6,654,130</u>	<u>2,706,846</u>	<u>2,637,378</u>	<u>8,246,508</u>	<u>9,291,508</u>

More detailed information about the City's long-term liabilities is presented in Note 3 (F) to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On August 29, 2005, the City was severely impacted by Hurricane Katrina. The City is in the process of rebuilding, which will be the case over the next several years. The City anticipates the use of federal grants, insurance reimbursements and loans to help with the costs.

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees to be charged for business-type activities. The local economy is slowly recovering from the loss of several major industries and revenues due to Hurricane Katrina, but the prospects for new industries are improving.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at 4412 Denny Street, Moss Point, Mississippi.

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
 - Statement of Net Assets
 - Statement of Activities
- Fund financial statements:
 - Balance Sheet - Governmental Funds
 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 - Statement of Net Assets - Proprietary Funds
 - Statement of Revenues, Expenditures, and Changes in Fund Net Assets - Proprietary Funds
 - Statement of Cash Flows - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,418,814	2,567,787	8,986,601
Restricted cash and cash equivalents	-	663,306	663,306
Accounts receivables, net	1,676,445	1,797,431	3,473,876
Internal balances	4,251,883	(4,251,883)	-
Prepaid expenses	52,413	20,961	73,374
Other assets	30,468	182,651	213,119
Capital assets:			
Land and construction in progress	7,122,242	189,348	7,311,590
Other capital assets, net of depreciation	8,087,624	7,180,017	15,267,641
Total capital assets	<u>15,209,866</u>	<u>7,369,365</u>	<u>22,579,231</u>
Total assets	<u>27,639,889</u>	<u>8,349,618</u>	<u>35,989,507</u>
LIABILITIES			
Accounts payable and accrued expenses	1,366,362	633,753	2,000,115
Deferred revenues	1,000	-	1,000
Payroll liabilities	252,446	26,494	278,940
Long-term liabilities:			
Due within one year			
Bonds and notes payable	849,447	315,649	1,165,096
Compensated absences	173,563	42,411	215,974
Due in more than one year			
Deposits and escrow	-	475,773	475,773
Bonds and notes payable	4,516,652	2,348,786	6,865,438
Total liabilities	<u>7,159,470</u>	<u>3,842,866</u>	<u>11,002,336</u>
NET ASSETS			
Investment in capital assets (net of related debt)	9,843,767	4,704,930	14,548,697
Restricted net assets:			
Debt service	1,592,055	-	1,592,055
Other purposes	-	663,306	663,306
Unrestricted net asset	9,044,597	(861,484)	8,183,113
Total net assets	<u>\$ 20,480,419</u>	<u>4,506,752</u>	<u>24,987,171</u>

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

CITY OF MOSS POINT, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

	Expenses	Program revenue			Net (expense) revenue and changes in net assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,692,810	1,344,871	3,851,103	1,204,925	(291,911)	-	(291,911)
Public safety	4,319,563	630,155	572,279	1,954,259	(1,162,870)	-	(1,162,870)
Public works	1,114,293	-	-	-	(1,114,293)	-	(1,114,293)
Culture and recreation	737,133	-	-	-	(737,133)	-	(737,133)
Urban & economic development	183,486	-	-	-	(183,486)	-	(183,486)
Natural disaster	1,658,630	-	-	-	(1,658,630)	-	(1,658,630)
Solid waste	942,090	-	-	-	(942,090)	-	(942,090)
Debt service - interest	325,581	-	-	-	(325,581)	-	(325,581)
Total Governmental Activities	<u>15,973,586</u>	<u>1,975,026</u>	<u>4,423,382</u>	<u>3,159,184</u>	<u>(6,415,994)</u>	<u>-</u>	<u>(6,415,994)</u>
Business-type activities:							
Utility system revenue	4,073,225	5,906,864	-	-	-	1,833,639	1,833,639
Utility system operation & maintenance	1,295,780	-	-	-	-	(1,295,780)	(1,295,780)
EUD utility revenue	1,746,420	1,899,703	-	-	-	153,283	153,283
Other enterprise funds	619,149	-	-	-	-	(619,149)	(619,149)
Total Business Type Activities	<u>7,734,574</u>	<u>7,806,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,993</u>	<u>71,993</u>
Total Primary Government	<u>\$ 23,708,160</u>	<u>9,781,593</u>	<u>4,423,382</u>	<u>3,159,184</u>	<u>(6,415,994)</u>	<u>71,993</u>	<u>(6,344,001)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,326,971	-	3,326,971
Property taxes, levied for debt services					920,271	-	920,271
Franchise taxes					1,067,812	-	1,067,812
Other taxes					2,625,561	43,734	2,669,295
Unrestricted investment earnings					75,196	29,016	104,212
Insurance proceeds					930,422	-	930,422
Miscellaneous					583,504	1,969	585,473
Transfers in (out)					133,365	(133,365)	-
Total general revenues					<u>9,663,102</u>	<u>(58,646)</u>	<u>9,604,456</u>
CHANGES IN NET ASSETS					3,247,108	13,347	3,260,455
Net assets - beginning					13,506,230	4,612,936	18,119,166
Prior period adjustments					3,727,081	(119,531)	3,607,550
Net assets - ending					<u>\$ 20,480,419</u>	<u>4,506,752</u>	<u>24,987,171</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2008

	<u>General Fund</u>	<u>DEQ</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,989,436	100	3,429,278	6,418,814
Accounts receivable, net	1,135,831	190,754	349,860	1,676,445
Due from other funds	7,493,123	-	718,779	8,211,902
Prepaid expenses	52,413	-	-	52,413
Other assets	30,468	-	-	30,468
Total assets	<u>\$ 11,701,271</u>	<u>190,854</u>	<u>4,497,917</u>	<u>16,390,042</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 533,416	190,754	296,074	1,020,244
Other accrued liabilities	346,118	-	-	346,118
Payroll liabilities	252,446	-	-	252,446
Deferred revenue	1,000	-	-	1,000
Compensated absences, current	173,563	-	-	173,563
Due to other funds	2,653,118	100	1,306,801	3,960,019
Total liabilities	<u>3,959,661</u>	<u>190,854</u>	<u>1,602,875</u>	<u>5,753,390</u>
Fund balances:				
Reserved for:				
Debt service	-	-	1,592,055	1,592,055
Unreserved:				
General fund	<u>7,741,610</u>	<u>-</u>	<u>1,302,987</u>	<u>9,044,597</u>
Total fund balances	<u>7,741,610</u>	<u>-</u>	<u>2,895,042</u>	<u>10,636,652</u>
Total liabilities and fund balances	<u>\$ 11,701,271</u>	<u>190,854</u>	<u>4,497,917</u>	<u>16,390,042</u>

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

CITY OF MOSS POINT, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2008

Total governmental funds balance \$ 10,636,652

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	\$ 23,754,814	
less: accumulated depreciation	<u>(8,544,948)</u>	15,209,866

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes	<u>(5,366,099)</u>
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Net assets of governmental activities \$ 20,480,419

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	<u>General Fund</u>	<u>DEQ</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 3,326,971	-	920,271	4,247,242
Franchise taxes	1,067,812	-	-	1,067,812
Other taxes	2,106,632	-	518,929	2,625,561
Fees and fines	586,688	-	43,467	630,155
Licenses and permits	114,029	-	-	114,029
Charges for services	1,094,110	-	136,732	1,230,842
Investment earnings	37,736	-	37,460	75,196
Insurance proceeds	82,096	-	848,326	930,422
Contribution in aid	572,279	-	1,954,259	2,526,538
Grants	239,042	3,145,968	1,671,018	5,056,028
Miscellaneous	155,879	-	377,725	533,604
Total revenues	<u>9,383,274</u>	<u>3,145,968</u>	<u>6,508,187</u>	<u>19,037,429</u>
EXPENDITURES				
Current:				
General government	2,446,228	3,145,968	572,148	6,164,344
Public safety	4,319,563	-	-	4,319,563
Public works	1,114,293	-	-	1,114,293
Solid waste	942,090	-	-	942,090
Culture and recreation	217,384	-	519,749	737,133
Urban and economic development	46,380	-	137,106	183,486
Natural disaster	-	-	1,658,630	1,658,630
Debt service:				
Principal payments	-	-	1,072,326	1,072,326
Interest and fiscal charges	-	-	319,834	319,834
Capital outlay	42,205	-	2,046,836	2,089,041
Total expenditures	<u>9,128,143</u>	<u>3,145,968</u>	<u>6,326,629</u>	<u>18,600,740</u>
Excess of revenues over (under) expenditures	<u>255,131</u>	<u>-</u>	<u>181,558</u>	<u>436,689</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>298,379</u>	<u>-</u>	<u>(165,014)</u>	<u>133,365</u>
Total other financing sources (uses)	<u>298,379</u>	<u>-</u>	<u>(165,014)</u>	<u>133,365</u>
Net changes in fund balances	<u>553,510</u>	<u>-</u>	<u>16,544</u>	<u>570,054</u>
Fund balance - beginning of year	7,119,496	-	(677,546)	6,441,950
Prior period adjustments	68,604	-	3,556,044	3,624,648
Fund balance, restated	7,188,100	-	2,878,498	10,066,598
Fund balance - end of year	<u>\$ 7,741,610</u>	<u>-</u>	<u>2,895,042</u>	<u>10,636,652</u>

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

CITY OF MOSS POINT, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

Net change in fund balances - total governmental funds \$ 570,054

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,089,041	
Depreciation expense	<u>(528,466)</u>	
Excess of capital outlay over depreciation expense		1,560,575

The City receives contributions in the form of capital assets from various sources. Because capital assets are not reported in governmental funds, neither are such contributions. Government-Wide statements report capital assets on the Statement of Net Assets, and any contributions are reported on the Statement of Activities. This is the value of those contributions during the year.

49,900

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

1,072,326

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds

Accrued interest payable	<u>(5,747)</u>	<u>(5,747)</u>
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Changes in net assets of governmental activities \$ 3,247,108

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2008

Enterprise Funds

	Major Funds				Total Enterprise Funds
	Utility System Revenue Funds	Utility System Operation & Maintenance Funds	EUD Utility Revenue Funds	Other Nonmajor Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,933,304	208,174	298,400	127,909	2,567,787
Restricted cash and cash equivalents	-	-	-	663,306	663,306
Accounts receivable, net	1,310,892	-	486,539	-	1,797,431
Due from other funds	2,382,366	3,009,938	767,777	1,541,426	7,701,507
Prepaid	-	18,227	-	2,734	20,961
Other assets	125,309	-	57,342	-	182,651
Total current assets	<u>5,751,871</u>	<u>3,236,339</u>	<u>1,610,058</u>	<u>2,335,375</u>	<u>12,933,643</u>
Noncurrent assets:					
Capital assets:					
Land	101,463	-	87,885	-	189,348
Other capital assets, net of accumulated depreciation	4,239,532	-	2,940,485	-	7,180,017
Total noncurrent assets	<u>4,340,995</u>	<u>-</u>	<u>3,028,370</u>	<u>-</u>	<u>7,369,365</u>
Total assets	<u>10,092,866</u>	<u>3,236,339</u>	<u>4,638,428</u>	<u>2,335,375</u>	<u>20,303,008</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	386,236	34,604	187,187	52,220	660,247
Compensated absences	-	24,255	-	18,156	42,411
Due to other funds	3,713,308	3,863,216	2,556,872	1,819,994	11,953,390
Bonds and notes payable	137,985	51,680	125,984	-	315,649
Total current liabilities	<u>4,237,529</u>	<u>3,973,755</u>	<u>2,870,043</u>	<u>1,890,370</u>	<u>12,971,697</u>
Noncurrent liabilities:					
Deposits and escrow	-	-	-	475,773	475,773
Bonds and notes payable	929,329	61,974	1,357,483	-	2,348,786
Total noncurrent liabilities:	<u>929,329</u>	<u>61,974</u>	<u>1,357,483</u>	<u>475,773</u>	<u>2,824,559</u>
Total liabilities	<u>5,166,858</u>	<u>4,035,729</u>	<u>4,227,526</u>	<u>2,366,143</u>	<u>15,796,256</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,273,681	(113,654)	1,544,903	-	4,704,930
Restricted for:					
Other purposes	-	-	-	663,306	663,306
Unrestricted	1,652,327	(685,736)	(1,134,001)	(694,074)	(861,484)
Total net assets	<u>\$ 4,926,008</u>	<u>(799,390)</u>	<u>410,902</u>	<u>(30,768)</u>	<u>4,506,752</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	Enterprise Funds				
	Major Funds				Total Enterprise Funds
	Utility System Revenue Funds	Utility System Operation & Maintenance Funds	EUD Utility Revenue Funds	Other Nonmajor Funds	
OPERATING REVENUES					
Charges for services	\$ 5,906,864	-	1,899,703	-	7,806,567
Tax Revenue	1,200	-	42,534	-	43,734
Miscellaneous	-	-	1,744	225	1,969
Total operating revenues	5,908,064	-	1,943,981	225	7,852,270
OPERATING EXPENSES					
Personnel services	-	681,521	-	308,823	990,344
Administrative expenses	57,150	157,581	269	83,755	298,755
Wastewater treatment	1,025,256	-	529,218	-	1,554,474
Natural gas purchases	1,983,210	-	784,370	-	2,767,580
Capital outlay	-	18,410	-	-	18,410
Utilities	691,444	205,810	259,315	91,992	1,248,561
Supplies	-	158,885	-	96,487	255,372
Depreciation	305,566	-	173,248	-	478,814
Other charges and services	-	73,573	-	38,092	111,665
Total operating expenses	4,062,626	1,295,780	1,746,420	619,149	7,723,975
Operating income (loss)	1,845,438	(1,295,780)	197,561	(618,924)	128,295
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	16,225	963	4,026	7,802	29,016
Interest expense	(10,599)	-	-	-	(10,599)
Transfers in (out)	(1,396,908)	1,260,000	(686,457)	690,000	(133,365)
Total nonoperating revenues (expenses)	(1,391,282)	1,260,963	(682,431)	697,802	(114,948)
Changes in net assets	454,156	(34,817)	(484,870)	78,878	13,347
Total net assets - beginning of year	4,892,681	(886,550)	743,347	(136,542)	4,612,936
Prior period adjustments	(420,829)	121,977	152,425	26,896	(119,531)
Total net assets - end of year	\$ 4,926,008	(799,390)	410,902	(30,768)	4,506,752

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 5,863,242	-	1,744,394	-	7,607,636
Payments for goods and services	(3,595,751)	(545,420)	(1,415,525)	(276,823)	(5,833,519)
Payments to employees	-	(691,231)	-	(308,307)	(999,538)
Other receipts	<u>1,200</u>	<u>-</u>	<u>1,744</u>	<u>225</u>	<u>3,169</u>
Net cash provided (used) by operating activities	2,268,691	(1,236,651)	330,613	(584,905)	777,748
Cash flows from noncapital financing activities:					
Transfers to (from) other funds	<u>(1,853,648)</u>	<u>1,473,060</u>	<u>(550,479)</u>	<u>653,017</u>	<u>(278,050)</u>
Net cash provided (used) by noncapital financing activities	(1,853,648)	1,473,060	(550,479)	653,017	(278,050)
Cash flows from capital and related financing activities:					
Purchase and construction of capital assets	(18,410)	-	-	-	(18,410)
Proceeds from capital debt	83,810	-	158,308	-	242,118
Principal paid on capital debt	-	(67,364)	-	-	(67,364)
Interest paid on capital debt	<u>(10,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,599)</u>
Net cash provided (used) by capital and related financing activities	54,801	(67,364)	158,308	-	145,745
Cash flows from investing activities:					
Interest received	<u>16,225</u>	<u>963</u>	<u>4,026</u>	<u>7,802</u>	<u>29,016</u>
Net cash provided by investing activities	16,225	963	4,026	7,802	29,016
Net increase (decrease) in cash and cash equivalents	486,069	170,008	(57,532)	75,914	674,459
Cash and cash equivalents:					
Beginning of the year	<u>1,447,235</u>	<u>38,166</u>	<u>355,932</u>	<u>715,301</u>	<u>2,556,634</u>
End of the year	<u>\$ 1,933,304</u>	<u>208,174</u>	<u>298,400</u>	<u>791,215</u>	<u>3,231,093</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,845,438	(1,295,780)	197,561	(618,924)	128,295
Adjustments to reconcile operating income (loss) to net cash					
Depreciation expense	305,566	-	173,248	-	478,814
(Increase) decrease in current assets:					
Accounts receivable	(43,620)	-	(197,843)	-	(241,463)
Other assets	(23,851)	6,699	(25,841)	(1,285)	(44,278)
Increase (decrease) in current liabilities:					
Accounts payable	185,293	57,486	183,278	75,711	501,768
Other liabilities	(135)	4,654	210	(40,923)	(36,194)
Compensated absences	-	(9,710)	-	516	(9,194)
Net cash provided (used) by operating activities	<u>\$ 2,268,691</u>	<u>(1,236,651)</u>	<u>330,613</u>	<u>(584,905)</u>	<u>777,748</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Moss Point, Mississippi (the City) was incorporated on May 17, 1901. The City operates under a Mayor/Alderman form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, community development, public utilities, and general administration services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City with the option of electing to apply FASB pronouncements issued after that date. The City has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

These financial statements present the City (the primary government) only. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The Moss Point Municipal Separate School District has been excluded from the reporting entity, because it is an "other stand-alone government." The School District is a related organization of, but not a component unit of the City of Moss Point. The governing authorities of the City do select a majority of the School District's Board, but do not have ongoing financial accountability for the School District.

B. Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer and gas system and solid waste management services are classified as business-type activities.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, culture and recreation, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is charged by the general fund to the water, sewer, and gas funds to recover the direct costs of general fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

1. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds include: Community Development Grant Fund, FEMA Acquisition Fund, Historic Preservation Fund, Lighthouse Preservation Fund, Rental Rehabilitation Fund, Hurricane Katrina Fund, and FEMA Firefighters Fund.
3. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

1. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. These funds include: water, sewer and gas system and solid waste management.
2. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. The City has no internal service funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, quoted market price or the best available estimate.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	30-35 years
Machinery and equipment	7-10 years
Improvements	30-35 years
Other infrastructure	10-60 years
Vehicles	5 years

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets beginning in 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period. As of the fiscal year ending September 30, 2008, the City has not begun the process of implementing the proper accounting of its infrastructure.

Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures:

Expenditures are recognized when the related fund liability is incurred.

Compensated Absences:

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years generally. Upon termination, any accumulated vacation will be paid to the employee. Sick leave is not paid upon termination. The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity:

Interfund activity consists of loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds.

B. Deposits and Investments Laws and Regulations

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. 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 FDIC. The City's deposits were fully insured or collateralized as required by statute at September 30, 2008.

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions in Use</u>
Sales Tax	Sewer Rehabilitation Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Road purposes
Water, Sewer and Gas Revenue	Debt Service and Utility Operations
Cemetery Revenue	Cemetery Capital Improvements
Grant Program Expenditures	Grant agreements
Ad Valorem Tax	Debt Service

For the year ended September 30, 2008, the City complied, in all material respects, with these revenue restrictions.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

D. Debt Restrictions and Covenants

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

The City deposits funds in financial institutions selected by the Board of Alderman in accordance with Mississippi statutes. Allocation of the resulting balance is accomplished with inter-bank transfers. Approved city depositories for the calendar years 2007-2008 were as follows:

	Allocation Percentage
Merchants and Marine Bank	50%
Hancock Bank	50%
	100%

By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2008, fall into the credit risk category of "Insured or collateralized with securities held by the entity or its agent in the entity's name."

Deposits at September 30, 2008, (including restricted deposits) are as follows:

	Bank Balances	Total Carrying Value
Pooled deposits:		
Cash and cash equivalents	\$ 10,338,909	9,649,907
Reconciliation to government-wide statement of net assets:		
Restricted cash		663,306
Unrestricted cash		8,986,601
		\$ 9,649,907

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Accounts Receivable

Accounts receivable at September 30, 2008, consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
General fund:			
Ad valorem taxes	\$ 641,463	-	641,463
Franchise taxes	324,004	-	324,004
Grants	156,487	-	156,487
Other	13,877	-	13,877
	<u>1,135,831</u>	<u>-</u>	<u>1,135,831</u>
Other governmental funds:			
Ad valorem taxes	158,202	-	158,202
Grants	35,176	-	35,176
Other	347,236	-	347,236
Total other governmental funds	<u>540,614</u>	<u>-</u>	<u>540,614</u>
Total governmental activities	<u>1,676,445</u>	<u>-</u>	<u>1,676,445</u>
Enterprise funds:			
Utility system revenue	1,546,479	235,587	1,310,892
EUD utility revenue	607,695	121,156	486,539
Total business-type activities	<u>2,154,174</u>	<u>356,743</u>	<u>1,797,431</u>
Total government-wide activities	<u>\$ 3,830,619</u>	<u>356,743</u>	<u>3,473,876</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets:

Capital asset activity for the year ended September 30, 2008, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases/ Adjustments	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,124,193	-	-	2,124,193
Construction in progress	3,043,790	1,954,259	-	4,998,049
Total capital assets not being depreciated	<u>5,167,983</u>	<u>1,954,259</u>	<u>-</u>	<u>7,122,242</u>
Capital assets being depreciated:				
Buildings	8,251,183	49,900	-	8,301,083
Improvements - other	75,000	-	-	75,000
Infrastructure	2,391,220	-	-	2,391,220
Equipment	5,730,488	134,781	-	5,865,269
Total capital assets being depreciated	<u>16,447,891</u>	<u>184,681</u>	<u>-</u>	<u>16,632,572</u>
Less accumulated depreciation for:				
Buildings	(2,674,377)	(190,716)	-	(2,865,093)
Improvements - other	(26,251)	(3,749)	-	(30,000)
Infrastructure	(227,981)	(89,578)	-	(317,559)
Equipment	(5,087,873)	(244,423)	-	(5,332,296)
Total accumulated depreciation	<u>(8,016,482)</u>	<u>(528,466)</u>	<u>-</u>	<u>(8,544,948)</u>
Total capital assets being depreciated, net	<u>8,431,409</u>	<u>(343,785)</u>	<u>-</u>	<u>8,087,624</u>
Total governmental activities capital assets, net	<u>\$ 13,599,392</u>	<u>1,610,474</u>	<u>-</u>	<u>15,209,866</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 189,348	-	-	189,348
Total capital assets not being depreciated	<u>189,348</u>	<u>-</u>	<u>-</u>	<u>189,348</u>
Capital assets being depreciated:				
Buildings	18,507,777	-	-	18,507,777
Infrastructure and improvements - other	-	-	-	-
Equipment	2,445,739	18,410	-	2,464,149
Total capital assets being depreciated	<u>20,953,516</u>	<u>18,410</u>	<u>-</u>	<u>20,971,926</u>
Less accumulated depreciation for:				
Buildings	(11,104,808)	(443,441)	-	(11,548,249)
Equipment	(2,208,287)	(35,373)	-	(2,243,660)
Total accumulated depreciation	<u>(13,313,095)</u>	<u>(478,814)</u>	<u>-</u>	<u>(13,791,909)</u>
Total capital assets being depreciated, net	<u>7,640,421</u>	<u>(460,404)</u>	<u>-</u>	<u>7,180,017</u>
Total business-type activities capital assets, net	<u>\$ 7,829,769</u>	<u>(460,404)</u>	<u>-</u>	<u>7,369,365</u>
Primary government				
Total capital assets, net	<u>\$ 21,429,161</u>	<u>1,150,070</u>	<u>-</u>	<u>22,579,231</u>

The City has not included all of its capital assets in its financial statements, as required by generally accepted accounting principles.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A summary of construction in progress transactions for the year ended September 30, 2008, follows:

	Expended through September 30, 2008	Remaining Commitment
Primary Government		
Governmental activities:		
Rohm-Haas Reverse Osmosis	\$ 1,954,259	4,403,562

Depreciation expense was charged to functions/programs for the year ended September 30, 2008 as follows:

Governmental activities:	
General government	\$ 528,466
Total governmental activities depreciation expense	528,466
Business-type activities:	
Utility system revenue	305,566
EUD utility revenue	173,248
Total business-type activities depreciation expense	478,814
Total government-wide depreciation expense	\$ 1,007,280

E. Accounts Payable:

Payables are composed of amounts due to vendors within 60 days of year end and accrued salaries and benefits.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Long-Term Debt:

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2008, is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation debt	\$ 2,945,000	-	550,000	2,395,000	440,000
Notes payable	1,734,156	-	298,198	1,435,958	308,903
Community disaster loan	1,418,940	-	-	1,418,940	-
Total bonds and notes payable	<u>6,098,096</u>	<u>-</u>	<u>848,198</u>	<u>5,249,898</u>	<u>748,903</u>
Other liabilities:					
Capital leases	402,864	-	286,663	116,201	100,544
Compensated absences	153,170	20,393	-	173,563	173,563
Total other liabilities	<u>556,034</u>	<u>20,393</u>	<u>286,663</u>	<u>289,764</u>	<u>274,107</u>
Total governmental activities long-term liabilities	<u>\$ 6,654,130</u>	<u>20,393</u>	<u>1,134,861</u>	<u>5,539,662</u>	<u>1,023,010</u>
Business-type activities:					
Bonds and notes payable:					
Water and sewer debt	\$ 1,418,402	-	138,337	1,280,065	148,146
Drinking water loan	-	129,978	-	129,978	87,823
Community disaster loan	1,112,738	-	-	1,112,738	-
Total bonds and notes payable	<u>2,531,140</u>	<u>129,978</u>	<u>138,337</u>	<u>2,522,781</u>	<u>235,969</u>
Other liabilities:					
Capital leases	54,633	155,959	68,938	141,654	79,680
Compensated absences	51,605	-	9,194	42,411	42,411
Total other liabilities	<u>106,238</u>	<u>155,959</u>	<u>78,132</u>	<u>184,065</u>	<u>122,091</u>
Total business-type activities long-term liabilities	<u>\$ 2,637,378</u>	<u>285,937</u>	<u>216,469</u>	<u>2,706,846</u>	<u>358,060</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

At September 30, 2008, notes payable consisted of the following individual issues:

Governmental activities:	<u>General Long-Term Debt</u>
Bonds and notes:	
General obligation bond refunding, Series 2005, due in various annual installments, bearing interest at 2.80% - 3.40%, maturing 2011	\$ 735,000
General obligation public improvement bonds, series 1998, due in various annual installments, bearing interest at 4.20% - 6.00%, maturing 2013	725,000
General obligation street bonds, series 1998, due in various annual installments, bearing interest at 4.38% - 6.00%	935,000
State of Mississippi capital improvements program loan, due in monthly installments of \$2,773, bearing interest at 3.00%, maturing 2020	320,958
Hancock bank hurricane loan, due in various annual installments, bearing interest at 4.70%, maturing 2010	315,000
HUD section 108 government guaranteed participation loan, due in various annual installments, bearing interest at variable rates, maturing 2014	800,000
Unsecured community disaster loan, bearing interest at 2.81%, maturing 2011	<u>1,418,940</u>
Total general obligation bonds and notes	<u>5,249,898</u>
Capital leases:	
Capital lease note, payable in annual installments of \$55,565, bearing interest at 5.57%, maturing September 2009, secured by vehicle	52,634
Capital lease note, payable in quarterly installments of \$2,247, maturing 2010, secured by postage meter	20,076
Capital lease note, payable in monthly installments of \$2,795, secured by six vehicles	24,804
Capital lease note, payable in monthly installments of \$682, secured by Ford F-150	<u>18,687</u>
Total capital lease obligations	<u>116,201</u>
Less current portion of long-term debt	<u>(1,023,010)</u>
Total governmental activities long-term debt	<u><u>\$ 4,343,089</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Business-type activities:

Bonds and notes:

Unsecured community disaster loan, bearing interest at 2.81%, maturing March 2011	\$ 1,112,738
State Revolving Fund Loan, payable in monthly installments of \$4,524, bearing interest at 3.75%, maturing 2017, secured by sales tax revenues	385,900
State Revolving Fund Loan, payable in monthly installments of \$7,429, bearing interest at 3.75%, maturing 2017, secured by sales tax revenues	668,618
Drinking Water Systems Improvements Revolving Loan, payable in monthly installments of \$7,319 beginning November 2009, bearing interest at 1.95%, maturing 2028, secured by sales tax revenues	129,978
State of Mississippi Capital Improvement Program Loan, bearing interest at 4.25% maturing 2012	<u>225,547</u>
Total general obligation bonds and notes	<u>2,522,781</u>

Capital leases:

Capital lease note, payable in monthly installments of \$3,858, secured by Vaccon wash truck	92,942
Capital lease note, payable in monthly installments of \$473, secured by two Ford Rangers	11,282
Capital lease note, payable in monthly installments of \$249, secured by Ford Ranger	9,429
Capital lease note, payable in monthly installments of \$2,055, secured by pumper truck	22,298
Capital lease note, payable in monthly installments of \$507, secured by meter reader truck	<u>5,703</u>
Total capital lease obligations	<u>141,654</u>
Less current portion of long-term debt	<u>(358,060)</u>
Total business-type activities long-term debt	<u><u>\$ 2,306,375</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

General Obligation Bonds

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations. The balance on bonds outstanding at September 30, 2008 was \$2,395,000 with a current portion of \$440,000.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2008, are as follows:

	Governmental Activities - Bonds and Notes			
	Bonds and Notes		Capital Leases	
	Principal	Interest	Principal	Interest
2009	\$ 748,903	159,700	100,544	15,036
2010	663,593	136,072	15,657	347
2011	1,529,711	105,830	-	-
2012	310,699	77,440	-	-
2013	316,993	57,329	-	-
2014-2020	1,679,999	108,165	-	-
Total	<u>\$ 5,249,898</u>	<u>644,536</u>	<u>116,201</u>	<u>15,383</u>

	Business-type Activities - Bonds and Notes			
	Bonds and Notes		Capital Leases	
	Principal	Interest	Principal	Interest
2009	\$ 235,969	53,864	79,680	6,816
2010	242,645	47,289	57,414	1,399
2011	1,302,054	205,688	3,330	130
2012	169,089	33,022	1,230	14
2013	128,743	26,196	-	-
2014-2028	444,281	71,123	-	-
Total	<u>\$ 2,522,781</u>	<u>437,182</u>	<u>141,654</u>	<u>8,359</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Interfund Balances

Interfund balances at September 30, 2008, consisted of the following:

	<u>DUE TO:</u>						<u>Total</u>
	<u>Governmental Activities</u>		<u>Business-type Activities</u>				
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Utility System Revenue</u>	<u>Utility System Operation and Maintenance</u>	<u>EUD Utility Revenue funds</u>	<u>Other Enterprise</u>	
<u>DUE FROM:</u>							
Governmental activities:							
General fund	\$ -	411,504	2,241,614	-	-	-	2,653,118
DEQ	100	-	-	-	-	-	100
Other governmental funds	895,833	301,562	93,407	-	11,797	4,202	1,306,801
Business-type activities:							
Utility system revenue	-	5,713	-	2,975,152	732,443	-	3,713,308
Utility system operation and maintenance	3,863,216	-	-	-	-	-	3,863,216
EUD utility revenue funds	1,023,335	-	-	-	-	1,533,537	2,556,872
Other Enterprise	1,710,639	-	47,345	34,786	23,537	3,687	1,819,994
Total	<u>\$7,493,123</u>	<u>718,779</u>	<u>2,382,366</u>	<u>3,009,938</u>	<u>767,777</u>	<u>1,541,426</u>	<u>15,913,409</u>

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

H. Interfund Transfers

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them 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.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES

A. Property Tax

Property tax is levied on the assessed (appraised) value as compiled by the Jackson County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30 following a series of public hearings to receive citizen objections. Resulting taxes are due on or before February 1.

Included in revenues are taxes for automobile tags, which are assessed and collected by Jackson County. Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

The City is required by law to assess and collect taxes necessary for operation of the Moss Point School District (MPSD) and for service of certain related debt. MPSD provides services to residents inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. The school district is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over school operations or approve budgets. A similar situation exists with the Jackson-George Regional Library System, who receives a portion of the City's tax levy for library operation.

For the years ended September 30, 2008 and 2007, the City's 2008 and 2007 tax rates were as follows:

	<u>2007-2008</u>	<u>2006- 2007</u>
	<u>Millage</u>	<u>Millage</u>
City Funds:		
General Fund	40.00	35.50
Fire protection	0.25	0.25
Library	1.50	1.50
Bond redemption fund	8.00	10.50
Total City administered funds	<u>49.75</u>	<u>47.75</u>
School Funds:		
District maintenance	57.79	68.59
School Debt	3.72	2.54
Total school administered funds	<u>61.51</u>	<u>71.13</u>
Total levy	<u><u>111.26</u></u>	<u><u>118.88</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES (continued)

B. Pension Plans

Defined Benefit Pension Plan

Plan Description:

The City of Moss Point, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 Moss Point, Mississippi is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Moss Point, Mississippi's contributions to PERS for the years ended September 30, 2008, 2007, and 2006 were \$484,743, \$463,862, and \$403,005 respectively, representing the required contributions for the year.

C. Commitments and Contingencies

Related Party Transactions

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

Grants and Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES (continued)

Contract Commitments

On November 25, 2003, the City of Moss Point, Mississippi entered into an agreement with Morton International, Inc, whose parent company is Rohm and Haas, for the purpose of establishing a Supplemental Environmental Project (SEP). The purpose of the SEP is to fund and oversee improvements to the drinking water facilities of the City of Moss Point, Mississippi. The objective of the SEP is to improve the naturally occurring characteristics (such as taste, odor, and color) of the City's drinking water. Morton International, Inc. is to fund a trust up to a total of \$9,434,537 to facilitate improvements needed to implement a Reverse Osmosis system. The City is the prime contractor and will work with Diversified Consultants, Inc. to provide the engineering, planning, design, and construction oversight required to complete the project. The project was completed February 2009 at a total cost of approximately \$8.35 million. The City will be liable for any costs in excess of the \$9,434,537 funded by Morton International, Inc.

Lease agreements:

On August 13, 1997, the City of Moss Point, Mississippi, through the Moss Point Redevelopment Authority (Lessor), executed a lease agreement with the United States Postal Service. Terms of the lease call for the lessor to lease a one story building and parking area to the Postal Service for an annual rental of \$377,589 for a fixed term of nineteen (19) years. The annual rental is payable in monthly installments. In addition to the general terms of the lease agreement, the Lessor has agreed to sell the building and improvements to the Postal Service at any time subsequent to the completion of building construction upon receiving notice from the Postal Service at least six months in advance. See below for the determination of the selling price.

In connection with the lease agreement described above, the Lessor issued an Urban Renewal Bond, Series 1997, in the principal amount of three million four hundred seventeen thousand dollars (\$3,417,000). The proceeds were used for constructing the building and improvements to be leased to the Postal Service under the lease agreement described above.

On December 6, 1998, the bond covenants called for a monthly principal and interest payment of \$29,421 to commence and continue to be made for a period of nineteen (19) years. In addition, the bond covenants call for certain other bond funds to be provided by the bond proceeds. The bond payments are to be paid from the monthly rental revenues described above, making the debt a revenue bond.

Therefore, the bond does not constitute an indebtedness of the City of Moss Point, Mississippi, and is not included in the outstanding debt of the City.

As mentioned above, the Lessor has agreed, under certain conditions, to sell the property to the Postal Service. The selling price will be based upon the unpaid balance of the bond at the time that the purchase option is exercised by the Postal Service, less the amount of any funds on deposit in any of the bond covenant funds set up as a requirement under the bond issue. Consequently, no monetary assets accrue to the benefit of the Lessor or the City of Moss Point.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES (continued)

Lease agreements:

Under the criteria established by the Financial Accounting Standards Board (FASB) Statement No. 13 (Accounting for Leases), the Lessor has determined that the lease agreement represents an in-substance sale of the property to the Postal Service. Consequently, the lease is deemed to be a capital lease and not an operating lease.

D. Joint Venture

The City is a member of the joint venture Jackson County Utility Authority (the Authority), which was established by an act of the Mississippi Legislature to design and implement a water pollution abatement plan. The Authority is responsible for the operations and maintenance of the wastewater treatment plants for the cities of Gautier, Moss Point, Ocean Springs and Pascagoula. The Authority enters into subscription agreements with each of the governing bodies and districts to fund its operations. The City of Moss Point, Mississippi's subscription agreement called for monthly payments of \$116,594 for the 2007-2008 fiscal year.

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2008, a complete copy of which is on file at the administrative offices of the Authority located at 1225 Jackson Avenue, Pascagoula, MS 39567.

BALANCE SHEET

ASSETS

Current assets	\$ 6,788,937
Restricted investments	1,998,750
Capital assets	47,927,123
Total assets	<u>\$ 56,714,810</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	\$ 2,902,031
Noncurrent liabilities	14,457,095
Total liabilities	<u>17,359,126</u>

NET ASSETS

Total liabilities and fund balance	<u>\$ 56,714,810</u>
------------------------------------	----------------------

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 7,142,272
Operating expenses	(7,810,039)
Non-operating revenues	114,050
Non-operating expenses	(1,263,583)
Capital contributions and grants	1,781,508
Change in net assets	<u>\$ (35,792)</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES (continued)

E. Jointly Governed Venture

Management has identified the Jackson-George Regional Library System as a jointly governed organization. A jointly governed organization is similar in nature to a joint venture in that it provides goods and services to the citizens of two or more governments. However, it does not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

F. Deficit fund balances/Retained earnings

Deficit fund balances of individual funds are as follows:

Governmental activities:		
Payroll deductions	\$	96,565
Pelican Landing Operating Fund		7,447
Community Development		310,789
Federal Disaster Assistance Fund		257,046
CDBG Disaster Supplemental Fund		44,281
Seized Assets Fund		<u>1,099</u>
Total governmental activities		<u>717,227</u>
Business-type activities:		
Utility System Operation and Maintenance		799,390
EUD Utility Operation and Maintenance		104,411
EUD Sewer Rehabilitation PH2		<u>5,231</u>
Total business-type activities		<u>909,032</u>
Total government-wide activities	\$	<u><u>1,626,259</u></u>

G. Prior Period Adjustments

	Governmental Activities	Business-type Activities	Total Government- Wide
GOVERNMENT-WIDE:			
Net assets, September 30, 2007, as originally presented	\$ 13,506,230	4,612,936	18,119,166
To adjust allowance for accounts receivable	-	782,228	782,228
To adjust capital assets, net of accumulated depreciation	152,386	-	152,386
To adjust long term debt	(49,953)	96,093	46,140
To adjust deferred revenue	3,000,000	-	3,000,000
To adjust accounts payable	390,815	255,918	646,733
To adjust prior year's due to/due from accounts	<u>233,833</u>	<u>(1,253,770)</u>	<u>(1,019,937)</u>
Total prior period adjustments	<u>3,727,081</u>	<u>(119,531)</u>	<u>3,607,550</u>
Restated net assets, September 30, 2007	<u>\$ 17,233,311</u>	<u>4,493,405</u>	<u>21,726,716</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4. OTHER NOTES (continued)

GOVERNMENTAL FUNDS:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances, September 30, 2007, as originally presented	\$ 7,119,496	(677,546)	6,441,950
To adjust deferred revenue	-	3,000,000	3,000,000
To adjust for understated accounts payable	-	390,815	390,815
To adjust prior year's due to/from accounts	<u>68,604</u>	<u>165,229</u>	<u>233,833</u>
Total prior period adjustments	<u>68,604</u>	<u>3,556,044</u>	<u>3,624,648</u>
Restated fund balance, September 30, 2007	<u>\$ 7,188,100</u>	<u>2,878,498</u>	<u>10,066,598</u>

PROPRIETARY FUNDS:

	<u>Utility System Revenue</u>	<u>Utility System Operation & Maintenance</u>	<u>EUD Utility Revenue</u>	<u>Other Nonmajor Funds</u>	<u>Total Business- type Funds</u>
Fund balances, September 30, 2007, as originally presented	\$ 4,892,681	(886,550)	743,347	(136,542)	4,612,936
To adjust prior period due to/from accounts	(980,613)	205,909	(464,475)	(14,591)	(1,253,770)
To adjust for over/(under) stated long term debt	-	(181,018)	277,111	-	96,093
To adjust prior period allowance for doubtful accounts	586,838	-	195,390	-	782,228
To adjust accounts payable	<u>(27,054)</u>	<u>97,086</u>	<u>144,399</u>	<u>41,487</u>	<u>255,918</u>
Total prior period adjustments	<u>(420,829)</u>	<u>121,977</u>	<u>152,425</u>	<u>26,896</u>	<u>(119,531)</u>
Restated fund balance, September 30, 2007	<u>\$ 4,471,852</u>	<u>(764,573)</u>	<u>895,772</u>	<u>(109,646)</u>	<u>4,493,405</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

H. Subsequent events

- September 2, 2009 - Approved borrowing of \$3,000,000 from Mississippi Development Authority to finish outstanding project worksheets and purchase/repair infrastructure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOSS POINT, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

For the Year Ended September 30, 2008

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, October 1, 2007	\$ 216,449	216,449	5,017,889	4,801,440
Resources (inflows):				
Taxes	6,260,400	6,335,640	6,572,527	236,887
Licenses and permits	144,200	156,500	114,029	(42,471)
Grants	231,335	247,335	187,154	(60,181)
Charges for services	1,043,000	1,168,906	1,094,110	(74,796)
Fines and forfeitures	550,000	550,000	586,688	36,688
Interest	25,000	8,800	37,736	28,936
Miscellaneous	277,300	381,213	223,566	(157,647)
Transfers	725,883	260,971	298,379	37,408
Amounts available for appropriations	<u>\$ 9,473,567</u>	<u>9,325,814</u>	<u>14,132,078</u>	<u>4,806,264</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2008
(continued)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Charges to appropriations (outflows):				
<i>General Government</i>				
Personnel services	\$ 377,089	320,160	298,570	21,590
Supplies and other charges	446,400	453,700	999,730	(546,030)
Capital outlay	9,100	9,100	8,988	112
<i>Police</i>				
Personnel services	2,016,043	1,927,601	1,773,751	153,850
Supplies and other charges	437,150	435,400	302,363	133,037
Capital outlay	42,000	42,000	38,995	3,005
<i>Fire</i>				
Personnel services	1,818,701	1,833,322	1,906,710	(73,388)
Supplies and other charges	206,120	219,700	102,265	117,435
Capital outlay	94,808	94,808	79,106	15,702
<i>Economic Development and Public Relations</i>				
Supplies and other charges	60,000	40,000	46,381	(6,381)
<i>Sanitation Department</i>				
Supplies	1,019,000	1,002,000	986,126	15,874
<i>Culture & Recreation</i>				
Personnel services	190,529	190,632	46,969	143,663
Supplies and other charges	258,900	226,990	96,916	130,074
Capital outlay	75,791	71,291	58,149	13,142
<i>Judicial Department</i>				
Personnel services	142,796	139,796	92,145	47,651
Supplies and other charges	14,800	12,000	6,147	5,853
Capital outlay	14,000	14,000	13,596	404
<i>Inspection Department</i>				
Personnel services	347,885	315,085	162,839	152,246
Supplies and other charges	17,900	16,700	10,773	5,927
<i>Public Works</i>				
Personnel services	506,607	149,031	164,107	(15,076)
Supplies and other charges	557,600	611,350	487,072	124,278
Capital outlay	86,500	39,500	16,766	22,734
<i>Data Processing Department</i>				
Supplies and other charges	47,500	50,500	17,911	32,589
Capital outlay	-	-	9,475	(9,475)
<i>Safety and Human Resources</i>				
Personnel services	135,000	110,290	110,327	(37)
Supplies and other charges	66,400	41,051	35,405	5,646
Capital outlay	3,800	3,800	3,529	271
<i>Community Development</i>				
Personnel services	139,368	139,368	137,153	2,215
Supplies and other charges	15,250	21,700	17,509	4,191
Capital outlay	300	-	-	-
Total charges to appropriations	<u>9,147,337</u>	<u>8,530,875</u>	<u>8,029,773</u>	<u>501,102</u>
Budgetary fund balance, September 30, 2008	<u>\$ 326,230</u>	<u>794,939</u>	<u>6,102,305</u>	<u>5,307,366</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF BUDGET-TO-ACTUAL RECONCILIATION
GENERAL FUND
For the Year Ended September 30, 2008

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles is as follows:

Sources/inflows of resources:

	General Fund
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 14,132,078
Difference - budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(5,017,889)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(298,379)
The budget is prepared on the cash basis whereas the fund statements are on the modified accrual basis. This is the net effect of accrual transactions.	<u>567,464</u>
Total revenues as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds, general fund	<u><u>\$ 9,383,274</u></u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,029,773
Differences - budget to GAAP	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>1,098,370</u>
Total expenditures as reported on the Statement of revenues, expenditures, and changes in fund balances - governmental funds, general fund	<u><u>\$ 9,128,143</u></u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Fiscal Year Ended September 30, 2008

NOTE 1: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Finance's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the City Council.
5. The Mayor submits the proposed budget to the Board by August 1.
6. A public hearing is conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. Budget revisions are made throughout the year (prior to September), as reallocations of funds are necessary or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
10. The general fund budget is adopted on a cash basis as required by State statute. The appropriated budget is prepared by fund, function and department. The legal level of budgetary controls is the department level. The City Finance's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Finance's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Fiscal Year Ended September 30, 2008

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS (BUDGET)

Deficit department balances within the general fund are as follows:

General Government - Supplies and other charges	\$ (546,030)
Fire - personnel services	(73,388)
Economic Development and Public Relations - Supplies and other charges	(6,381)
Public Works - Personnel services	(15,076)
Data Processing Department - Capital outlay	(9,475)
Safety and Human Resources - Personnel services	<u>(37)</u>
Total governmental activities	<u>\$ (650,387)</u>

The general fund's total expenditures were within the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS
For the Year Ended September 30, 2008

Name	Position	Amount
Aneice Liddell	Mayor	\$ 51,000
Adlean Liddell	City Clerk	51,000
Houston Cunningham	Alderman	100,000
Sherwood Bradford	Alderman	100,000
Ruby Hill	Alderman	100,000
Robert Byrd	Alderman	100,000
Shirley Chambers	Alderman	100,000
Thomas Hightower	Alderman	100,000
George Martin Jr.	Alderman	100,000

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
MAJOR FEDERAL AWARDS			
U.S. Department of Homeland Security			
Passed Through State:			
Disaster Grant - Public Assistance - Hurricane Katrina	97.036	1604-DR-MS	\$ 1,539,115
U.S. Department of Housing and Urban Development			
Passed Through State:			
Community Development Block Grant	14.219	R-103-268	270,211
Community Development Block Grant	14.228	R-101-06	224,982
U.S Environmental Protection Agency			
Passed Through State:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280854-03 & 04	<u>3,145,968</u>
Total Expenditures of Major Federal Awards			<u>5,180,276</u>
NON-MAJOR FEDERAL AWARDS			
U.S. Department of Justice			
Passed Through State:			
Local Law Enforcement Block Grant	16.590		8,400
Meth Grant	16.710		33,203
Byrne - JAG	16.738	2007-DJ-BX-0103	<u>17,056</u>
Total U.S. Department of Justice			<u>58,659</u>
U.S Environmental Protection Agency			
Passed Through State:			
Capitalization Grants for Clean Water State Revolving Funds	66.468	DWI-H280120-01	<u>60,560</u>
U.S. Department of Housing and Urban Development			
Passed Through State:			
Community Development Block Grant	14.228	B-08-MC-28-0004	91,086
Home Investment Partnerships Program	14.239	M06-SG-280-AD-119	<u>171,125</u>
Total U.S Department of Housing and Urban Development			<u>262,211</u>
Total Expenditures of Federal Awards			<u>\$ 5,561,706</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Moss Point and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

NOTE 2. LOAN AGREEMENTS OUTSTANDING

Proceeds of State Revolving Fund loans were obtained for sewer rehabilitation and drinking water system improvements. The State Revolving Fund is financed, at least in part, by the U.S. Environmental Protection Agency. The principal balance on September 30, 2008, was:

SRF-C280854-03-0	\$ 384,387
SRF-C280854-04-2	668,621
DWI-H280120-01-1	129,978
	<u>\$ 1,182,986</u>

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

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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 Members of the City Council
City of Moss Point, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi as of and for the year ended September 30, 2008, which collectively comprise the City of Moss Point, Mississippi's basic financial statements and have issued our report thereon dated May 24, 2010. 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 Moss Point, Mississippi's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Moss Point, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Moss Point, 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 Moss Point, 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 Moss Point, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Moss Point, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Refer to findings 9/2008 - 1, 9/2008 - 2, 9/2008 - 3, and 9/2008 - 4.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**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***

Page 2

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 of Moss Point, Mississippi internal control. We consider finding 9/2008 - 1 to be a material weakness.

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.

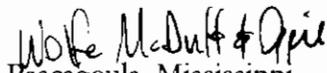
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Moss Point, Mississippi's financial statements 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 9/2008 - 1, 9/2008 - 2, 9/2008 - 3, and 9/2008 - 4.

We also noted certain matters that we reported to the management of the City of Moss Point, Mississippi in a separate letter dated May 24, 2010.

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.


Pascagoula, Mississippi
May 24, 2010



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Jack A. Oppie, CPA
C. Scott Rankin, CPA

Lindsey M. Henley, CPA
Jesse J. Wolfe, CPA (1927-2009)
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members of the City Council
City of Moss Point, Mississippi

Compliance

We have audited the compliance of the City of Moss Point, Mississippi 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 September 30, 2008. The City of Moss Point, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying 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 of Moss Point, Mississippi's management. Our responsibility is to express an opinion on the City of Moss Point, Mississippi'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 of Moss Point, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Moss Point, Mississippi's compliance with those requirements.

As described in items 9/2008 - 5 and 9/2008 - 6 in the accompanying schedule of findings and questioned costs, City of Moss Point, Mississippi did not comply with requirements regarding document retention that are applicable to its Disaster Grants - Public Assistance, Community Development Block Grant, and Capitalization Grants for Clean Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for City of Moss Point, Mississippi to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Moss Point, Mississippi 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.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

Internal Control Over Compliance

The management of the City of Moss Point, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Moss Point, Mississippi's internal control over compliance with 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 of the City of Moss Point, Mississippi's internal control over compliance.

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

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 9/2008 - 5 and 9/2008 - 6 to be significant deficiencies.

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. We do not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

This report is intended solely for the information and use of management, City council, others within the entity, 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.

Wolfe McSuff & Opie
Pascagoula, Mississippi
May 24, 2010



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REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

The Honorable Mayor and Members of the City Council
City of Moss Point, Mississippi

We have audited the accompanying financial statements of the City of Moss Point, Mississippi as of and for the year ended September 30, 2008, and have issued our report dated May 24, 2010. 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 basic financial statements disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and management's responses are as follows:

Finding

The City did not publish the release of their September 30, 2007 fiscal year end audit report in the local newspaper.

Recommendation

State law requires the City, within thirty days after the completion of the annual audit to provide public notice of the completion and availability of the annual audit. We recommend the City comply with this requirement and publish an ad in the local newspaper after each annual audit is released.

Auditee's response

The City will take the necessary steps in the future to ensure compliance

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

Wolfe McDuff & Oppie
Pascagoula, Mississippi
May 24, 2010

Membership in:
American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. Type of auditor's opinions issued on the financial statements:

Governmental activities	Adverse
Business-type activities	Unqualified
General fund	Unqualified
DEQ	Unqualified
Aggregate remaining fund information	Unqualified

2. There were four significant deficiencies relating to the audit of the financial statements reported in the Report on Compliance and Internal Control Over Financial Reporting.
3. There was one significant deficiency considered to be a material weakness reported in the Report on Compliance and Internal Control Over Financial Reporting.
4. There were two significant deficiencies relating to the audit of major federal award programs that are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for major federal awards program for the City of Moss Point, Mississippi expresses a qualified opinion.
6. There were two audit findings relative to the major federal award programs for the City of Moss Point, Mississippi, that are reported in Part C of this schedule.
7. The major programs tested were:
- Federal Emergency Management Agency - Public Assistance Grants - CFDA No. 97.036
Community Development Block Grants - CFDA No. 14.219
Community Development Block Grants - CFDA No. 14.288
Capitalization Grants for Clean Water State Revolving Funds - CFDA No. 66.458
8. The dollar threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Moss Point, Mississippi was not determined to be a low-risk auditee.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

B. FINDINGS - FINANCIAL STATEMENT AUDIT

9/2008 - 1

Finding

The City of Moss Point, Mississippi has not implemented GASB 34 which requires local governments to retroactively report the value of infrastructure assets purchased or significantly improved since 1980.

Recommendation

We recommend the City implement GASB 34 immediately. It is our understanding that the City is currently in the process of implementing.

Auditee's Response

The City of Moss Point is currently working on implementing GASB 34 and it should be completed by the end of May 2010.

9/2008 - 2

Finding

The City of Moss Point, Mississippi failed to accurately reconcile their cash accounts, due to/from accounts and transfers in/out accounts. The cash account reconciliation sheets have an unreconciled difference in many cases. The due to/from and transfer in/out do not net to zero which indicates that the full journal entry is not being entered.

Recommendation

We recommend that all accounts be reconciled monthly.

Auditee's Response

All bank statements are reconciled monthly with notions for findings relative to each. They are denoted on the statement so that those items can be reconciled in the following month since the current month will be closed out. When items appear as deposits on our bank statements that we haven't made, the bank is contacted for information. If the bank is not able to identify the transactions in an appropriate time, they are left on the statement until further investigations can be completed.

9/2008 - 3

Finding

The City of Moss Point, Mississippi has a process where it 'cuts' manual checks. These checks do not have a sequential numbering process and in some cases have no check number at all. This presents an internal control issue in that if a check were fraudulently written using this manual check process, it would be difficult for anyone to discover.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

Recommendation

We recommend discontinuing the use of manual checks. All checks should go through the automatic process and receive a check number that is in sequence with the other checks.

Auditee's Response

Manual checks have been used since I began working here in 1981 and has been discussed in detail with the new auditors. These checks are for accounts that have limited monthly activity. These said checks are used to process items taken to and approved at board meetings which are outside of the semi-monthly docket. These checks are without pre-printed numbers as they are scarcely used. These checks are not processed in the same manner as accounts payable checks as they are entered manually in the general ledger. They do not generate a concise listing such as accounts payable's and has been deemed an inconvenience in tracking. We provide a general ledger for all accounts which lists all activity in the cash in bank line item.

9/2008 - 4

Finding

A Utility Department report contains an automatic adjustment and we were unable to obtain information as to what the adjustment was and whether it was valid. The amount was individually significant for the business-type activities.

Recommendation

We recommend the Management gain an understanding of all computer generated data so in the event of a computer glitch the appropriate personnel can detect the problem in a timely manner.

Auditee's Response

The City of Moss Point Utility Department has been in trailers since Hurricane Katrina and some of our files were in another building. The adjustment on the report was an adjustment to a utility bill that had been over read. The adjustment sheet and the billing register for that cycle had been moved to another building. Now that we are back in City Hall and have space for storage all reports should be found. If I had been aware that the reports were needed someone would have gone to the other building and retrieved them. The Utility Supervisor is well aware of the reports and what they mean.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS
AUDIT

Questioned Costs

9/2008 - 5

Finding

The City of Moss Point, Mississippi received revenue of \$33,203 for narcotic officer's overtime. We were unable to obtain reimbursement requests for this amount nor were we able to determine who is responsible for this grant.

\$ 33,203

Recommendation

We recommend Management gain an understanding of the City's grant processes and determine responsible parties. We also recommend having grant information (i.e. grant agreements, reimbursement requests, etc.) filed and available for viewing in a timely manner.

Auditee's Response

9/2008 - 6

Finding

In performing our Single Audit testing, we were unable to obtain bid files, contracts and proposals for three of the vendors and one invoice was not available. For FEMA expenditures, the project worksheet number (PW) was not included on the general ledger description which made it challenging for the City's employees to pull the requested information. The grant information was not received in a timely manner.

Recommendation

We recommend moving the grants to a central location where one department is in control of all grants. We recommend including a PW in the general ledger for FEMA expenditures for easy tracking. We recommend filing grant information so that it is available in a timely manner.

Auditee's Response

\$ 33,203

CORRECTIVE ACTION PLAN



CITY OF MOSS POINT

4412 DENNY STREET • MOSS POINT, MISSISSIPPI 39563
OFFICE: 228-475-0300 • FAX: 228-475-6216

CITY OF MOSS POINT

CORRECTIVE ACTION PLAN

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Federal Programs:

Finding 9/2008 - 5: The City of Moss Point, Mississippi received revenue of \$33,203 for narcotic officer's overtime. We were unable to obtain reimbursement requests for this amount nor were we able to determine who is responsible for this grant.

Recommendation: We recommend the City of Moss Point, Mississippi gain an understanding of their grant processes and determine responsible parties. We also recommend having grant information i.e. grant agreements, reimbursement requests, etc. filed and available for viewing in a timely manner.

Grantee's Response: Management of the City of Moss Point was not aware that the auditors could not get this information on Narcotic Officer's overtime. We checked with the payroll department and were able to find this information. She informed me that no one spoke to her about this. Joy Rayborn at the Narcotic's Task Force of Jackson County submits a request in to the payroll department for overtime and base salary. Previous Mayor, Xavier Bishop spoke with the auditors on the last audit about speaking with someone in authority at the City to make sure they get the information needed. Standard Operating procedures for Grants have been put in place by Mayor Aneice Liddell to make sure that this does not happen again.

Finding 9/2008 - 6: In performing our Single Audit testing, we were unable to obtain bid files, contracts and proposals for three of the vendors and one invoice was not available. For FEMA expenditures, the project worksheet number (PW) was not included on the general ledger description which made it challenging for the City's employees to pull the requested information. The grant information was not received in a timely manner.

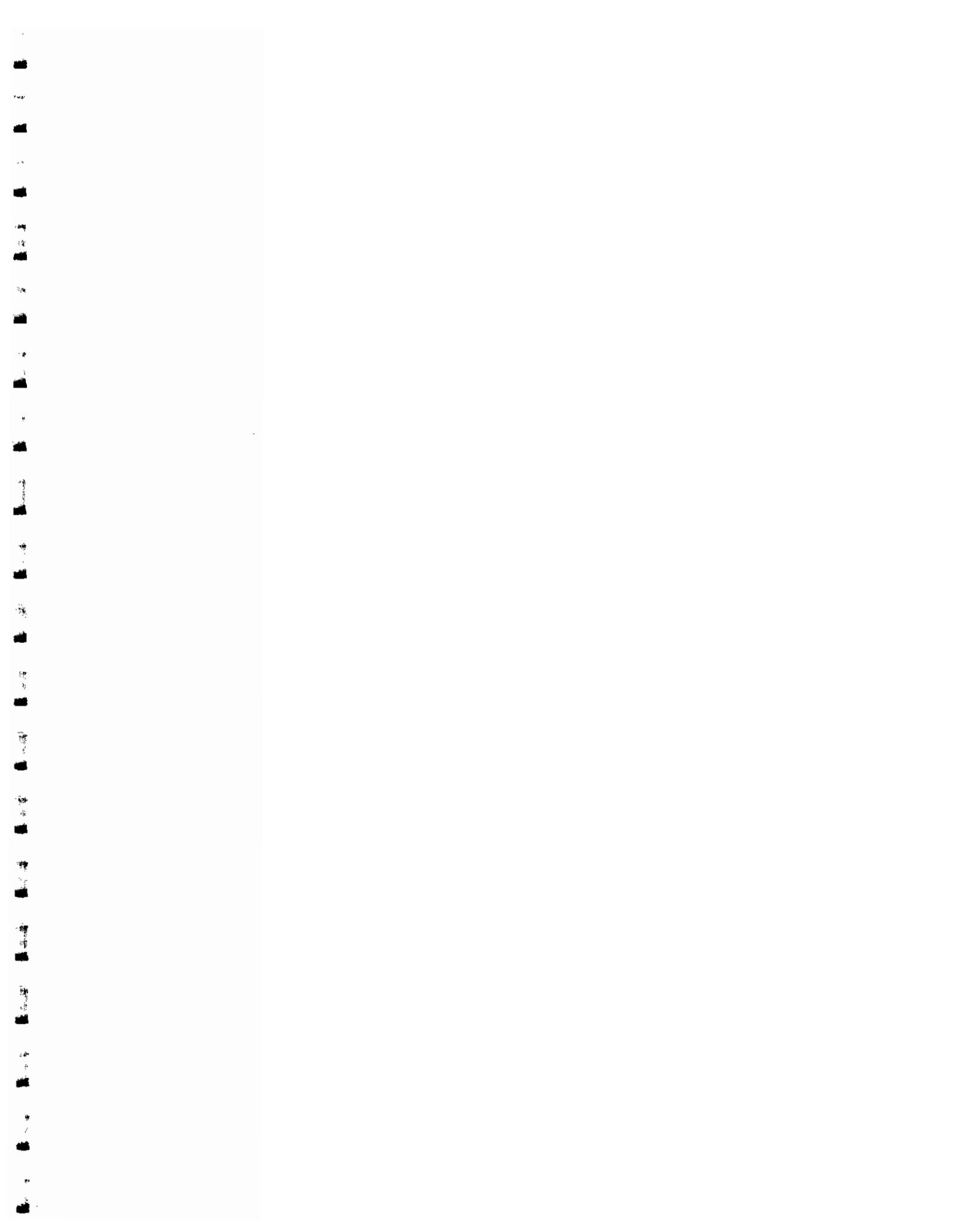
Recommendation: We recommend moving the grants to a central location where one department is in control of all grants. We recommend including a PW in the general ledger for FEMA expenditures for easy tracking. We recommend filing grant information so that it is available in a timely manner.

Grantee's Response: The City of Moss Point has been in trailers since Hurricane Katrina and we did not have the space needed for storing files. However, we had our files stored in other buildings and tried to get all the information that the auditors asked for and maybe did not have a clear understanding of what it was that they were asking for. In the past those files were to be kept by the applicant's agent for the City of Moss Point who was the Mayor and is no longer with the City. I know that we have all bids and contracts for FEMA expenditures. Mayor Liddell and they City Clerk have put in place operating procedures for all grants received by the City of Moss Point.

The City of Moss Point has taken the following steps:

Effective immediately: For the purpose of comprehensible auditing procedures the following criteria must be met for all grants:

1. All Federal, State, Local or Nonprofit Grants must be brought before the Mayor and Board for approval.
2. A cover page should be included to outline clear and precise funding sources. If the grant is 100% or matching? If only 80% grant funding with 20% matching; identify matching funding source. Please indicate if grant is a reimbursable grant or direct grant funding. Who will grant benefit? Please list grant amount and length of grant. If grant is to hire employees, please list length of grant. Make sure that employees hired understand that when the grant ends; employment ends. Human Resources should have employee sign grant Memorandum of Understanding form.
3. If City is awarded grant, a copy of the grant information must be submitted to the City Clerk's Office for filing.
4. A copy of all transactions pertaining to the grant must be submitted to the City Clerk's Office for filing. (Such as: money transactions, monthly, quarterly and yearly reporting and or findings etc.)
5. The name of the Individual monitoring the grant for the department must be submitted to the City Clerk's Office as well as a name change.
6. Payment schedules for employees or vendors must be worked out in advance.
7. Any misappropriation, mishandling of funding, problems and/or concerns must be brought to the attention of the Mayor and City Clerk immediately.
8. All department heads will be held accountable for grants that are done in their departments and/ or a designee.
9. The Applicant Agent and Co-Applicant Agent for the City will be responsible for all Federal Grants relative to PWS and Hurricane Katrina.
10. Should another Natural Disaster occur, then the City will contract out for a Project Manager to be responsible for those grants received.





CITY OF MOSS POINT

4412 DENNY STREET • MOSS POINT, MISSISSIPPI 39563
OFFICE: 228-475-0300 • FAX: 228-475-6216

May 24, 2010

Wolfe, McDuff, & Oppie
3103 Pascagoula Street
Pascagoula, Mississippi 39567

We are providing this letter in connection with your audit of the financial statements of City of Moss Point as of September 30, 2008 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of May 24, 2010, the following representations made to you during your audit(s).

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data
 - b) Minutes of the meetings of Board of Aldermen or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others, except as made known to you.
- 8) We have a process to track the status of audit findings and recommendations.
- 9) We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
- 10) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 11) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 12) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the City is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 14) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d) Reservations or designation of fund equity that were not properly authorized and approved.
- 15) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

- 16) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 17) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 18) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 19) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 20) The financial statements properly classify all funds and activities.
- 21) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 22) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- 23) Provisions for uncollectible receivables have been properly identified and recorded.
- 24) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 25) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 26) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 27) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 28) Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated, except as disclosed in the Notes to the Financial Statements.
- 29) Required supplementary information (RSI) is measured and presented within prescribed guidelines.
- 30) With respect to federal award programs:
 - a) We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
 - b) We have, in accordance with OMB Circular A-133, prepared the schedule of expenditures of federal awards, and have included in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c) We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
 - d) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal

programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

- e) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
 - f) We have received no requests from a federal agency to audit one or more specific programs as a major program.
 - g) We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
 - h) Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
 - i) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
 - j) We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - k) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - l) We have charged costs to federal awards in accordance with applicable cost principles.
 - m) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - n) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by *OMB Circular A-133* and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - o) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by *OMB Circular A-133*, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- 31) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed:



Aneice Liddell

Title: Mayor

Signed:



Adlean Liddell

Title: City Clerk