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CITY OF MOORHEAD
AUDITED FINANCIAL STATEMENTS
AND AGREED UPON PROCEDURES
For The Year Ended September 30, 2010

CUNNINGHAM CPAs, PLLC
Certified Public Accountants

CITY OF MOORHEAD, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Moorhead, Mississippi

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Moorhead, as of and for the year ended September 30, 2010, which collectively comprise the City of Moorhead's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Moorhead'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Moorhead, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(B).

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2011 on our consideration of the City of Moorhead's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MEMBER: AMERICAN INSTITUTE OF C.P.A.'S, MISSISSIPPI SOCIETY OF C.P.A.'S

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Moorhead's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

June 6, 2011

MEMBER: AMERICAN INSTITUTE OF C.P.A.'S, MISSISSIPPI SOCIETY OF C.P.A.'S

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Cash Receipts and Disbursements
Governmental Activities and Business-type Activities
For the Year Ended September 30, 2010**

	Governmental Activities			Business-type Activities		
	Major Funds	General	Other Governmental Funds	Total	Garbage Fund	Water and Sewer Fund
REVENUE RECEIPTS:						
Taxes						
General property taxes	\$ 274,865	\$	35,238	\$ 310,103	\$	-
Penalties & interest on delinquent taxes	17,338		-	17,338	-	-
Licenses and permits						
Privilege licenses	5,949		-	5,949	-	-
Franchise charges - utilities	41,927		-	41,927	-	-
Intergovernmental revenues:						
State grants:						
General municipal aid	1,335		-	1,335	-	-
Homestead reimbursement	20,778		2,664	23,442	-	-
Health department grant	9,038		-	9,038	-	-
State shared revenues:						
Sales taxes	85,622		-	85,622	-	-
Fire protection	14,014		-	14,014	-	-
Alcoholic beverage licenses	900		-	900	-	-
Gasoline taxes	6,913		-	6,913	-	-
In lieu taxes-Grand Gulf	17,415		-	17,415	-	-
County shared revenues:						
Road & bridge taxes	10,108		-	10,108	-	-
Rural fire protection	2,762		-	2,762	-	-
Charges for services:						
Garbage fees	31,112		-	31,112	62,837	-
Water and sewer charges	-		-	-	-	369,042
Police fines, assessments, fees, etc.	27,065		-	27,065	-	-
Other revenues:						
Interest income	358		51	409	-	880
Leases	15,679		-	15,679	-	-
Miscellaneous	34,803		-	34,803	-	-
TOTAL RECEIPTS	617,981		37,953	655,934	62,837	369,922
						432,759

CITY OF MOORHEAD, MISSISSIPPI

Statement of Cash Receipts and Disbursements Governmental Activities and Business-type Activities For the Year Ended September 30, 2010

	Governmental Activities			Business-type Activities		
	Major Funds		Total	Business-type Activities		Total
	General Fund	Other Governmental Funds		Garbage Fund	Water and Sewer Fund	
DISBURSEMENTS:						
General government:						
Executive	23,295	-	23,295	-	-	-
Financial	119,913	-	119,913	-	-	-
Other	64,271	-	64,271	-	-	-
Public safety:						
Police	216,869	-	216,869	-	-	-
Fire	93,651	-	93,651	-	-	-
State assessments and other fees	13,406	-	13,406	-	-	-
Public works:						
Care and maintenance	54,241	-	54,241	-	-	-
Street department	70,034	-	70,034	-	-	-
Waste and debris removal	3,201	-	3,201	-	-	-
Culture & recreation	18,933	-	18,933	-	-	-
Enterprise services:						
Water and sewer	-	-	-	-	273,396	273,396
Sanitation	-	-	-	72,092	-	72,092
Redemption of principal	6,977	21,000	27,977	-	15,063	15,063
Interest on bonds	220	9,581	9,801	-	15,769	15,769
Total Disbursements	685,011	30,581	715,592	72,092	304,228	376,320
Excess (Deficiency) of receipts over disbursements	(67,030)	7,372	(59,658)	(9,255)	65,694	56,439

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Cash Receipts and Disbursements
Governmental Activities and Business-type Activities
For the Year Ended September 30, 2010**

	Governmental Activities			Business-type Activities		
	Major Funds	Other		Total		Total
	General Fund	Governmental Funds			Garbage Fund	Water and Sewer Fund
OTHER FINANCING SOURCES (USES):						
Transfers	(5,323)	(19,188)		(24,511)	9,211	(733)
Other financing sources (uses)	(114)	(588)		(702)	-	3,187
Total other financing sources (uses)	<u>(5,437)</u>	<u>(19,776)</u>		<u>(25,213)</u>	<u>9,211</u>	<u>2,454</u>
						<u>11,665</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	(72,467)	(12,404)		(84,871)	(44)	68,148
						<u>68,104</u>
CASH BASIS FUND BALANCE-BEGINNING OF YEAR	<u>356,232</u>	<u>100,975</u>		<u>457,207</u>	<u>6,098</u>	<u>837,815</u>
						<u>843,913</u>
CASH BASIS FUND BALANCE-END OF YEAR	<u>\$ 283,765</u>	<u>\$ 88,571</u>		<u>\$ 372,336</u>	<u>\$ 6,054</u>	<u>\$ 905,963</u>
						<u>\$ 912,017</u>

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

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Fiduciary Assets and Liabilities
September 30, 2010**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 7,502
Due from other funds	<u>12,299</u>
Total Assets	<u>\$ 19,801</u>
Liabilities	
Accounts payable and other liabilities	\$ 1,667
Due to other funds	<u>18,134</u>
Total Liabilities	<u>\$ 19,801</u>

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

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statement For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Moorhead operates under a Council-Manager form of government and provides services authorized by its charter. The official city population on the 2000 census was 2,573.

The City of Moorhead's financial statements includes all funds, boards and commissions over which the City exercises oversight responsibility. Oversight responsibility was determined on the basis of the City's ability to significantly influence operations, select the governing authority and participate in fiscal management as well as the entity's financial dependence on the City. The criteria for including entities and funds in the City's financial statements are in agreement with the Governmental Accounting Standards Board (GASB) Statement No. 1, Section 2100, Authoritative Status of Pronouncements. The City of Moorhead's major operations include public welfare and social services, road and bridge maintenance and general administrative services. In addition, a water and sewer system is operated by the City.

B. Basis of Accounting.

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

C. Report Classifications.

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

D. Fund Accounting.

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

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statement For the Year Ended September 30, 2010

revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations and/or other funds. These include Agency Funds.

E. Cash and Cash Equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City deposits excess funds in the financial institutions selected by the City Council. State statutes specify how these depositories are to be selected.

F. Property Taxes.

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

G. Estimates.

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

(2) Cash and Other Deposits.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statement For the Year Ended September 30, 2010

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

The carrying amount of the City of Moorhead's deposits with financial institutions for Governmental Activities, Business-type Activities, and Fiduciary funds was \$372,336 (which includes cash on hand of \$250), \$912,017 (which includes cash on hand of \$139), and \$7,502, respectively. The combined bank balance was \$1,313,984.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2010, none of the City's bank balance was exposed to custodial credit risk.

(3) General Long-term Debt.

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

	Balance 10/01/09	Additions	Reductions	Balance 9/30/10	Due Within One Year
<u>General</u>					
A. General obligation bonds payable	\$ 357,000	\$ -	\$ 21,000	\$ 336,000	\$ 23,000
B. Installment notes payable	5,730	-	2,659	3,071	3,071
C. Obligations under capital leases	4,318	-	4,318	-	-
Total	367,048	-	27,977	339,071	26,071
<u>Enterprise</u>					
D. Water & sewer revenue bonds payable	352,186	-	15,063	337,123	15,796
Total	352,186	-	15,063	337,123	15,796
Total	\$ 719,234	\$ -	\$ 43,040	\$ 676,194	\$ 41,867

CITY OF MOORHEAD, MISSISSIPPI

**Notes to Financial Statement
For the Year Ended September 30, 2010**

A. General obligation bonds payable.

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

Year Ending September 30	2001 Series Bonds		
	Principal	Interest	Total
2011	\$ 23,000	\$ 17,557	\$ 40,557
2012	24,000	16,370	40,370
2013	25,000	15,117	40,117
2014	27,000	13,775	40,775
2015	28,000	12,331	40,331
2016-2020	168,000	35,981	203,981
2021	41,000	1,169	42,169
Total 2001 Series Bonds	<u>\$ 336,000</u>	<u>\$ 112,300</u>	<u>\$ 448,300</u>

B. Installment notes payable-state of Mississippi.

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

Year Ending September 30	Freight Rail Project		
	Principal	Interest	Total
2011	\$ 3,071	\$ 83	\$ 3,154
Total installment notes	<u>\$ 3,071</u>	<u>\$ 83</u>	<u>\$ 3,154</u>

C. Obligations under capital leases.

This lease was completed during the 2010.

CITY OF MOORHEAD, MISSISSIPPI

**Notes to Financial Statement
For the Year Ended September 30, 2010**

D. Water & sewer revenue bonds payable.

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

<u>1982 Series Revenue Bonds</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,422	\$ 1,891	\$ 10,313
2012	8,853	1,460	10,313
2013	9,314	999	10,313
2014	9,782	531	10,313
2015	5,267	88	5,355
Total	<u>\$ 41,638</u>	<u>\$ 4,969</u>	<u>\$ 46,607</u>

<u>1999 Series Jr. Lien Revenue Bonds</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,374	\$ 13,146	\$ 20,520
2012	7,713	12,807	20,520
2013	8,068	12,452	20,520
2014	8,438	12,082	20,520
2015	8,826	11,694	20,520
2016-2020	50,596	52,004	102,600
2021-2025	63,338	39,262	102,600
2026-2030	79,284	23,046	102,330
2031-2034	61,848	4,735	66,583
Total	<u>\$ 295,485</u>	<u>\$ 181,228</u>	<u>\$ 476,713</u>

Total water and sewer revenue bonds	<u>\$ 337,123</u>	<u>\$ 186,197</u>	<u>\$ 523,320</u>
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CITY OF MOORHEAD, MISSISSIPPI

**Notes to Financial Statement
For the Year Ended September 30, 2010**

Restricted Cash/Reserved Funds

The bond resolutions have several requirements concerning such items as the maintenance and segregation of accounts and the collection and application of the water and sewer system revenues. The resolutions stipulated the accumulation of certain funds for the protection of the bondholder, as follows:

	Cushion Fund	Contingent Fund	Debt Depreciation Fund
Minimum amounts to be maintained in reserve funds	<u>\$ 42,681</u>	<u>\$ 18,836</u>	<u>\$ 21,336</u>
Balances in reserve accounts at September 30, 2010	<u>\$ 102,576</u>	<u>\$ 48,133</u>	<u>\$ 77,224</u>

The City of Moorhead is subject to a general statutory debt limitation under which no city in the State of Mississippi may incur general obligation bonded indebtedness in an amount which will exceed 15 percent of the assessed value of the taxable property within such a city according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for schools, water and sewer systems, gas, light and power purposes and for construction of special improvements primarily chargeable to the property benefited or for the purpose of paying a city's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a city contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such a city.

In arriving at the limitations set forth above, bond issues for school purposes, bonds payable exclusively from the revenues of any municipal owned utility, general obligation industrial bonds issued under the provisions of Section 57-1-1 to Section 57-1-51, Miss. Code Ann. (1972), and special assessment improvement bonds issued under provisions of Section 21-41-1 to Section 21-41-53, Miss. Code Ann. (1972), are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits for the City of Moorhead as of September 30, 2010, is approximately:

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statement For the Year Ended September 30, 2010

	15% Limit	20% Limit
Assessed valuation @ 9/30/08	\$ 4,378,526	\$ 4,378,526
Limitation	x 15%	x 20%
Maximum debt allowable	656,779	875,705
General obligation debt	336,000	336,000
Margin of additional debt allowable	<u>\$ 320,779</u>	<u>\$ 539,705</u>

(4) Defined Benefit Pension Plan.

Public Employees' Retirement System

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2010, 2009 and 2008 were \$49,638, \$43,216 and \$46,197, respectively.

(5) Legal Compliance

At September 30, 2010, the following water and sewer user fees were in effect:

	Inside City Limits	Outside City Limits
Water Rates:		
For the first 2,000 gallons per month or less (residential)	\$ 9.00	\$ 18.00
For all gallons over 2,000, rate per 1,000 gallons	1.60	3.20
Sewer Rates:		
Residential monthly rate	9.00	12.00

Rates vary for industrial companies and the local community college based on usage and other agreements.

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statement For the Year Ended September 30, 2010

(6) Customer Information

The City's utility billing registers reflected the following number of users at September 30, 2010, and total gallons billed during the year then ended:

WATER:

Total number of water customers at 9/30/2010:

Residential-inside city limits	569	
Residential-outside city limits	<u>78</u>	
Total residential customers		647
Commercial-inside city limits	26	
Commercial-outside city limits	<u>2</u>	
Total commercial customers		<u>28</u>
Total customers		<u>675</u>

[Note: The average number of water customers for the year is: residential-inside city limits, 565; residential-outside city limits, 79; commercial-inside city limits, 27; and commercial-outside city limits, 2.]

Gallons billed - water (12 months - in thousands)

Residential-inside city limits	65,820	
Residential-outside city limits	<u>4,648</u>	
Total residential usage		70,468
Commercial-inside city limits	5,535	
Commercial-outside city limits	<u>77,719</u>	
Total commercial usage		<u>83,254</u>
Total gallons billed - water		<u>153,722</u>

SEWER:

Total number of sewer customers @ 9/30/2010:

Residential-inside city limits	562	
Residential-outside city limits	<u>58</u>	
Total residential customers		620
Commercial-inside city limits	31	
Commercial-outside city limits	<u>1</u>	
Total commercial customers		<u>32</u>
Total customers		<u>652</u>

[Note: The average number of sewer customers for the year is: residential-inside city limits, 559; residential-outside city limits, 58; commercial-inside city limits, 31; and commercial-outside city limits, 1.]

Sewer is billed at a flat rate regardless of consumption, therefore detailed gallons billed is not necessary and/or available.

CITY OF MOORHEAD, MISSISSIPPI

**Notes to Financial Statement
For the Year Ended September 30, 2010**

(7) Tax Millage Rates

The City Council approved the following millage rates in amounts necessary to generate taxes needed for general operations and for debt service on general obligation bonded indebtedness. Comparative rates for the preceding year are also included.

Tax Years:	<u>2009</u>	<u>2008</u>
General fund	78	71
Debt service	<u>10</u>	<u>10</u>
Total millage	<u><u>88</u></u>	<u><u>81</u></u>

CITY OF MOORHEAD

SUPPLEMENTAL INFORMATION

CITY OF MOORHEAD, MISSISSIPPI

Reconciliation of Tax Assessments to Fund Collections For the Year Ended September 30, 2010

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 2,898,667		
Personal - other than auto	169,574		
Auto and mobile homes (from county)	987,724		
Utilities	322,561		
Total	4,378,526		
Less: Special homestead	(579,207)		
Total	3,799,319	88	\$ 334,340
 <u>Collections/adjustments:</u>			
Plus: Municipal homestead reimbursement			23,442
Prior year tax collections			27,653
Penalties & interest			17,338
Deduct: County tax collector's commissions			(4,421)
			<u>\$ 398,352</u>
 <u>Collection Credit to Funds:</u>			
	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 292,203	\$ 20,778	\$ 312,981
Debt service fund	35,238	2,664	37,902
Total	327,441	23,442	350,883
Balance represented by:			
Unpaid property taxes			42,564
Unaccounted for			4,905
Total Accounted For			<u>\$ 398,352</u>

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972), as follows:

<u>Actual Collections:</u>		<u>Actual Collections:</u>	
2008 Tax	\$ 291,654	2009 Tax	\$ 292,203
10% increase	29,165	Homestead reimbursement	20,778
		Under limitation	7,838
	<u>\$ 320,819</u>		<u>\$ 320,819</u>

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Capital Assets
For the Year Ended September 30, 2010**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets:				
Land	\$ 29,990	\$ -	-	\$ 29,990
Buildings	485,630	-	-	485,630
Improvements other than buildings	253,340	-	-	253,340
Machinery and equipment	276,012	77,733	-	353,745
Total Governmental activities capital assets	<u>\$ 1,044,972</u>	<u>\$ 77,733</u>	<u>\$ -</u>	<u>\$ 1,122,705</u>
Business-type activities:				
Capital Assets:				
Land	\$ 83,196	\$ -	-	\$ 83,196
Improvements other than buildings	3,135,217	-	-	3,135,217
Machinery and equipment	131,143	-	-	131,143
Total Business-type activities capital assets	<u>\$ 3,349,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,349,556</u>

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Long-Term Debt
For the Year Ended September 30, 2010**

Balance Outstanding 10/1/2009	Transactions During Fiscal Year		Balance Outstanding 9/30/2010
	Issued	Redeemed	
\$ 357,000	-	21,000	\$ 336,000
357,000	-	21,000	336,000

General

General Obligation Bonds:

\$490,000, 2001 Public Improvement Bonds; original issue date of February 1, 2001, in denominations of \$5,000 each. Interest is variable from 4.375% to 5.7% and is payable annually on February 1 and August 1 beginning February 1, 2002. The bonds shall mature and become due between February 1, 2002 and February 1, 2021.

Total General Obligation Bonds

Installment Notes Payable:

\$24,680, Mississippi Development Authority, Freight Rail Service Projects Revolving Loan, originally issued on November 21, 2000. First payment of \$261.77 (principal and interest) due October 1, 2001; balance due in 118 monthly installments of \$261.77 including interest at 5.0%; with a final payment of \$261.74 due on September 1, 2011.

Total Installment Notes Payable

CITY OF MOORHEAD, MISSISSIPPI

Schedule of Long-Term Debt For the Year Ended September 30, 2010

	Balance Outstanding 10/1/2009	Transactions During Fiscal Year		Balance Outstanding 9/30/2010
		Issued	Redeemed	
<u>Obligations Under Capital Leases:</u>				
Lease purchase of Chevrolet Police Car at a total cost of \$18,400. The lease provides for 36 monthly payments of \$549.40 including interest at 4.75%. The first payment is due February 20, 2007, and the final payment was paid February 20, 2010.	4,318	-	4,318	-
Total Obligations Under Capital Leases	4,318	-	4,318	-
Total General Long-Term Debt	\$ 367,048	\$ -	\$ 27,977	\$ 339,071
<u>Enterprise</u>				
Revenue Bonds:				
\$165,000, 1982 Water and Sewer System Revenue Bonds, due in annual installments of \$10,313. Maturity date is January 8, 2017; currently being paid in monthly installments of \$859 including interest at 5%.	\$ 49,650	-	8,012	\$ 41,638
\$349,200, 1999 Water Junior Lien Revenue Bonds, issued January 22, 1999, due in annual installments of \$20,516 including interest at 4.50% beginning on the third anniversary date of the bond, with interest only on the first and second anniversary dates. Bonds fully mature on January 22, 2034.	302,536	-	7,051	295,485
Total Revenue Bonds	352,186	-	15,063	337,123
Total Proprietary Fund Debt	\$ 352,186	\$ -	\$ 15,063	\$ 337,123

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Investments - All Funds
September 30, 2010**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
General and Water Funds	Certificate of deposit 2134	0.17%	6/27/2010	3/24/2011	Regions Bank	\$ 58,377
General Funds	Certificate of deposit 3892	0.60%	3/19/2010	3/19/2011	Regions Bank	34,985
Water Fund	Certificate of deposit 3918	0.60%	3/19/2010	3/19/2011	Regions Bank	<u>96,366</u>
Total Investments						<u>\$189,728</u>

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2010**

<u>Name</u>	<u>Position</u>	<u>Bond*</u>
George Holland	Mayor	\$ 50,000
T.J. Fairley	Alderman	\$ 50,000
Harvey Green	Alderman	\$ 50,000
Robin Roberts	Alderman	\$ 50,000
Darrell Wright	Alderman	\$ 50,000
Melvin Chambers	City Manager & Tax Collector	\$ 50,000 3,000
Lakeshia Jones	City Clerk	\$ 50,000
Veronica Warren	Court Clerk	\$ 50,000
Star Wilson	Water Clerk	\$ 50,000
Position Bond	Police Chief	\$ 100,000
Position Bond	Police Officers	\$ 60,000

* All positions are covered by Brierfield & Scott Municipal Ins.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

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

The Honorable Mayor and City Council
City of Moorhead, Mississippi

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the remaining aggregate fund information of the City of Moorhead, Mississippi as of and for the year ended September 30, 2010, which collectively comprise City of Moorhead, Mississippi's basic financial statements and have issued our report thereon dated June 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses:

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10-1. Finding

The City does not have procedures in place to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The City has historically relied on its auditor to perform these tasks.

Recommendation

We recommend that the City develop a set of year-end procedures to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Response

The City will, to the extent possible, put procedures in place to produce financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America.

10-2. Finding

The City has inadequate segregation of duties in that persons with access to cash also post transactions to the general ledger and customer's subsidiary ledgers.

Recommendation

While we understand that the City's finances and small size prohibit it from having optimal segregation of duties, we do recommend that, to the extent practicable, there is oversight by other City employee(s) to insure that assets are safeguarded against misuse or misappropriation.

Response

The City Clerk oversees the Water Clerk daily and the City Manager oversees the activities of both clerks. If the City's financial position improves, they will consider hiring additional personnel.

10-3. Finding

The City does not maintain an adequate capital asset subsidiary ledger that properly tracks capital asset activity.

Recommendation

We recommend that the City work with its software provider to develop and maintain an adequate capital asset subsidiary ledger.

Response

We will contact our software provider and seek additional information regarding a capital asset subsidiary ledger.

Compliance and Other Matters

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

The City's responses to our findings are shown above following our findings and recommendations. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's board and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

CUNNINGHAM CPAs, PLLC

June 6, 2011

CITY OF MOORHEAD, MISSISSIPPI

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

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

The Honorable Mayor and City Council
City of Moorhead, Mississippi

We have audited the basic financial statements of the City of Moorhead as of and for the year ended September 30, 2010, and have issued our report dated June 6, 2011. 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 our procedures and our audit of the general purpose financial statement disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

The *Municipal Audit and Accounting Guide* requires that annual physical inventories of property and equipment be conducted and compared to subsidiary records and that assets be "tagged" and that the "tag" numbers be cross-referenced to a subsidiary ledger of property and equipment. While the City has begun tagging its assets, it is not fully complying with this requirement. This finding was also noted in the prior year's audit report.

Recommendation

We recommend that annual physical inventories be conducted, that assets are tagged and cross-referenced to subsidiary records, and that evidence of the annual physical count be kept on file.

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Response

We will conduct annual physical inventories of all assets and ensure that assets are tagged and cross-referenced to subsidiary records. We will maintain files on these inventory counts.

2. Finding

State law requires that fines and forfeitures be collected when due and immediately settled with the municipal treasury. The City has fines that have not been collected and settled.

Recommendation

We recommend that the City comply with state laws and regulations regarding the collection of fines and forfeitures.

Response

We will strive to comply with state laws and regulations regarding the collection of fines and forfeitures.

Other than the findings mentioned above, the City complied with state laws and regulations for the items tested. For those items not tested, nothing came to our attention that would lead us to believe that the City had not complied with state laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

This report is intended solely for the information and use of the city and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

CUNNINGHAM CPAs, PLLC

June 6, 2011

CUNNINGHAM CPAs, PLLC

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SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR SMALL MUNICIPALITIES

Honorable Mayor and Board of Aldermen
City of Moorhead, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the City of Moorhead, Mississippi, as of September 30, 2010, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the City of Moorhead, Mississippi and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Regions Bank	General Fund	\$ 219,341
Regions Bank	HUD Streetscape Fund	100
Regions Bank	Self Help Park Fund	890
Regions Bank	Construction Fund	9,467
Regions Bank	Debt Service Fund	78,114
Regions Bank	Water and Sewer Fund	780,269
Regions Bank	Garbage Fund	6,054
Regions Bank	Accounts Payable Clearing Fund	63
Regions Bank	Payroll Clearing Fund	7,439
Total all funds		<u><u>\$ 1,101,737</u></u>

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2. We confirmed with financial institutions all investments, including certificates of deposit, owned by the City at September 30, 2010. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972). Investment balances were as follows:

<u>Bank</u>	<u>Fund</u>	<u>Balance per General Ledger</u>
Regions Bank	General Fund	\$ 29,189
Regions Bank	General Fund	34,985
Regions Bank	Water and Sewer Fund	29,188
Regions Bank	Water and Sewer Fund	<u>96,366</u>
Total all funds		<u><u>\$ 189,728</u></u>

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:

- Traced levies to the governing body minutes;
- Traced distribution of taxes collected to proper funds; and
- Analyzed increase in taxes for most recent period for compliance with the increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies.

Ad valorem tax collections were found to be within limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

Ad valorem tax collections for the retirement of general obligation debt was found to be sufficient for the payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Miss. Code Ann. (1972).

4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposits in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Ledger Amount</u>
Fire protection allocation	General Fund	\$ 14,014
General municipal aid	General Fund	1,335
Gasoline tax	General Fund	6,913
Homestead exemption reimbursement	General Fund	20,778
	Debt Service Fund	2,664
Payments in lieu of tax -		
nuclear power plant	General Fund	17,415
Sales tax allocation	General Fund	85,622
Alcoholic beverage license		900
Health department	General Fund	9,038
Total		<u>\$ 158,679</u>

5. We selected a sample purchases made by the municipality during the fiscal year. Each sample item was evaluated for proper approval and compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of Sample Items	30
Total Dollar Value of Sample	\$124,805

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

6. We selected a sample of collection of fines and forfeitures and verified that the municipal court clerk had settled daily with the municipal clerk. We also selected a sample of state-imposed court assessments collected and determined that the municipal clerk had settled monthly with the Department of Finance and Administration.

We found the municipality to be in agreement with the requirements of the above-mentioned laws and regulations.

7. We have read the Municipal Compliance Questionnaire completed by the municipality. The following responses to the questionnaire indicate noncompliance with state requirements:

- Fixed assets are not properly tagged and accounted for.
- The municipality has not conducted an annual inventory of its assets in accordance with guidelines established by the Office of the State Auditor.
- All fines and forfeitures are not collected when due and settled immediately to the municipal treasury.

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Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1, 2 and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the City of Moorhead for the year ended September 30, 2010.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

CUNNINGHAM CPAs, PLLC

June 6, 2011