

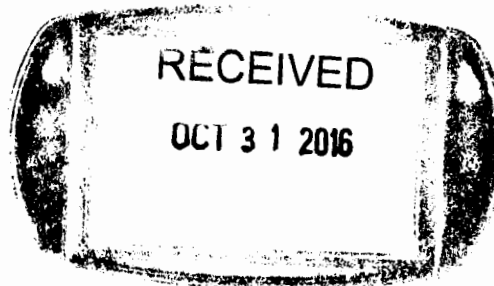


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CITY OF MOORHEAD, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015



CUNNINGHAM CPAs, PLLC
Certified Public Accountants

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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Belzoni, Mississippi 39038
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10 South Bancroft Street
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August 1, 2016

To the City Council, Mayor and City Manager
City of Moorhead
Post Office Box 578
Moorhead, MS 38751

We have audited the statements of cash receipts and disbursements of the governmental activities, the business-type activities, and the fiduciary funds of the City of Moorhead for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 7, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Moorhead are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 to the financial statements, disclosing the carrying amounts of cash and cash equivalents.
- Note 3 to the financial statements, disclosing the current year changes in long-term debt.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Converting the General Fund to the cash basis and other corrections resulted in decrease in fund balance of approximately \$9,000.

- Converting the Enterprise Fund to the cash basis and other corrections resulted in decrease in fund balance of approximately \$40,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 1, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. See our letter dated August 1, 2016 which accompanies the audited financial statements for internal control and state compliance findings.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Moorhead and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Cunningham CPAs", is written over the closing text.

Cunningham CPAs, PLLC

Belzoni, Mississippi

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 cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely

presented component units, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi for the year ended September 30, 2015; the respective changes in cash basis financial position; and, when applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Supplemental information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 to the basic financial statements as a whole on the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. However, under the cash basis of accounting, this information is not required and as such, is not presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016, on our consideration of the City of Moorhead, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Moorhead, Mississippi's internal control over financial reporting and compliance.



Cunningham CPAs, PLLC
Belzoni, Mississippi
August 1, 2016

CITY OF MOORHEAD, MISSISSIPPI
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2015

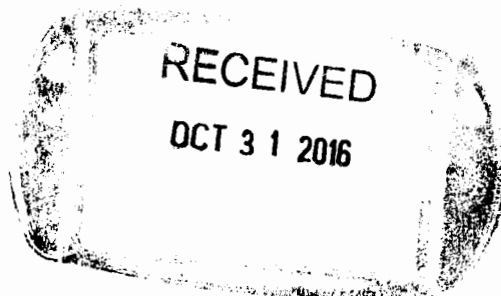
Functions/Programs	Program cash receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 272,127	\$ 44,291	\$ -	\$ -	\$ (227,836)	\$ -	\$ (227,836)
Culture and recreation	21,139	-	-	-	(21,139)	-	(21,139)
Public safety	291,758	33,438	-	-	(258,320)	-	(258,320)
Public works	108,640	-	-	-	(108,640)	-	(108,640)
Interest on long-term debt	13,762	-	-	-	(13,762)	-	(13,762)
Total Governmental Activities	707,426	77,729	-	-	(629,697)	-	(629,697)
Business-type activities:							
Water, sewer and sanitation	527,702	618,124	-	20,077	-	110,499	110,499
Interest on long-term debt	11,694	-	-	-	-	(11,694)	(11,694)
Total Business-type Activities	539,396	618,124	-	20,077	-	98,805	98,805
Total Primary Government	1,246,822	695,853	-	20,077	(629,697)	98,805	(530,892)
General Receipts:							
Taxes:							
Ad valorem taxes					\$ 355,340	\$ -	\$ 355,340
Road district taxes					13,316	-	13,316
Sales taxes					101,856	-	101,856
Franchise taxes					45,505	-	45,505
Gasoline taxes					7,065	-	7,065
Intergovernmental shared receipts					66,236	-	66,236
Unrestricted investment earnings					131	105	236
Miscellaneous					24,959	2,310	27,269
Transfers and other interfund transactions					32,910	(38,108)	(5,198)
Total General Receipts					647,318	(35,693)	611,625
Change in Net Position					17,621	63,112	80,733
Net Position - Beginning					192,097	299,656	491,753
Net Position - Ending					\$ 209,718	\$ 362,768	\$ 572,486

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

CITY OF MOORHEAD, MISSISSIPPI
Statement of Activities and Net Position - Cash Basis (continued)
As of and for the Year Ended September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 95,357	\$ 294,717	\$ 390,074
Restricted cash	114,361	68,051	182,412
Total Assets	<u>\$ 209,718</u>	<u>\$ 362,768</u>	<u>\$ 572,486</u>
NET Position			
Restricted - Expendable:			
Debt service	\$ 51,860	\$ -	\$ 51,860
Customer deposits	-	68,051	68,051
Unemployment	2,585	-	2,585
Fire protection	59,916	-	59,916
Unrestricted	95,357	294,717	390,074
Total Net Position	<u>\$ 209,718</u>	<u>\$ 362,768</u>	<u>\$ 572,486</u>

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



CITY OF MOORHEAD, MISSISSIPPI

**Statement of Cash-Basis Assets and Fund Balances and Cash Receipts, Disbursements,
and Changes in Cash-Basis Fund Balances - Governmental Funds
As of and for the Year Ended September 30, 2015**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
RECEIPTS:			
Taxes			
General property taxes	\$ 299,416	\$ 32,717	\$ 332,133
Penalties & interest on delinquent taxes	23,207	-	23,207
Licenses and permits			
Privilege licenses	5,943	-	5,943
Franchise charges - utilities	45,505	-	45,505
Intergovernmental revenues:			
State grants:			
General municipal aid	1,199	-	1,199
Homestead reimbursement	24,961	2,774	27,735
State shared revenues:			
Sales taxes	101,856	-	101,856
Fire protection	13,086	-	13,086
Alcoholic beverage licenses	900	-	900
Gasoline taxes	7,065	-	7,065
In lieu taxes-Grand Gulf	15,296	-	15,296
MDOT reimbursement - highway and bridges	2,554	-	2,554
County shared revenues:			
Road district taxes	13,316	-	13,316
Rural fire protection	5,466	-	5,466
Charges for services:			
Garbage fees	26,398	-	26,398
Police fines, assessments, fees, etc.	33,438	-	33,438
Other revenues:			
Interest income	113	18	131
Leases	11,950	-	11,950
Miscellaneous	15,100	-	15,100
TOTAL RECEIPTS	<u>646,769</u>	<u>35,509</u>	<u>682,278</u>
DISBURSEMENTS:			
General government:			
Executive	36,631	-	36,631
Financial	122,296	-	122,296
Other	81,970	-	81,970
Public safety:			
Police	255,096	-	255,096
Fire	22,691	-	22,691
Public works:			
Care and maintenance	26,883	-	26,883
Street department	76,135	-	76,135
Waste and debris removal	5,622	-	5,622
Culture & recreation	21,139	-	21,139
Miscellaneous	3,230	-	3,230
Redemption of principal	13,971	28,000	41,971
Interest on bonds	1,432	12,330	13,762
Total Disbursements	<u>667,096</u>	<u>40,330</u>	<u>707,426</u>
Excess (Deficiency) of receipts over disbursements	<u>(20,327)</u>	<u>(4,821)</u>	<u>(25,148)</u>

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

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Cash-Basis Assets and Fund Balances and Cash Receipts, Disbursements,
and Changes in Cash-Basis Fund Balances - Governmental Funds
As of and for the Year Ended September 30, 2015**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
OTHER FINANCING SOURCES (USES):			
Transfers	34,305	(1,395)	32,910
Other	<u>9,859</u>	<u>-</u>	<u>9,859</u>
Total other financing sources (uses)	<u>44,164</u>	<u>(1,395)</u>	<u>42,769</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	23,837	(6,216)	17,621
CASH BASIS FUND BALANCE- BEGINNING OF YEAR	<u>134,021</u>	<u>58,076</u>	<u>192,097</u>
CASH BASIS FUND BALANCE- END OF YEAR	<u><u>\$ 157,858</u></u>	<u><u>\$ 51,860</u></u>	<u><u>\$ 209,718</u></u>
CASH BASIS ASSETS - END OF YEAR			
Cash	\$ 122,767	\$ 51,860	\$ 174,627
Investments	<u>35,091</u>	<u>-</u>	<u>35,091</u>
Total Cash Basis Assets	<u><u>\$ 157,858</u></u>	<u><u>\$ 51,860</u></u>	<u><u>\$ 209,718</u></u>
CASH BASIS FUND BALANCES - END OF YEAR			
Restricted for:			
Debt service	\$ -	\$ 51,860	\$ 51,860
Unemployment	2,585	-	2,585
Fire protection	59,916	-	59,916
Unassigned	<u>95,357</u>	<u>-</u>	<u>95,357</u>
Total Fund Balances	<u><u>\$ 157,858</u></u>	<u><u>\$ 51,860</u></u>	<u><u>\$ 209,718</u></u>

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

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Cash-Basis Net Position and Cash Receipts, Disbursements,
and Changes in Cash-Basis Fund Net Position - Proprietary Funds
As of and for the Year Ended September 30, 2015**

	<u>Water & Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total Proprietary Funds</u>
Operating Receipts:			
Charges for services:			
Garbage fees	\$ -	\$ 72,910	\$ 72,910
Water and sewer charges	545,214	-	545,214
Total Operating Receipts	<u>545,214</u>	<u>72,910</u>	<u>618,124</u>
Operating Disbursements:			
Water and sewer	397,658	-	397,658
Sanitation	-	73,039	73,039
Total Operating Disbursements	<u>397,658</u>	<u>73,039</u>	<u>470,697</u>
Nonoperating Receipts (Disbursements):			
Interest income	105	-	105
CDBG Eastmoor project receipts	20,077	-	20,077
Eastmoor sewer project disbursements	(48,179)	-	(48,179)
Redemption of principal	(8,826)	-	(8,826)
Interest on bonds	(11,694)	-	(11,694)
Other	2,310	-	2,310
Total Nonoperating Receipts (Disbursements)	<u>(46,207)</u>	<u>-</u>	<u>(46,207)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Transfers	101,349	(129)	101,220
Transfers	<u>(34,192)</u>	<u>(3,916)</u>	<u>(38,108)</u>
Change in Net Position	67,157	(4,045)	63,112
CASH BASIS NET POSITION- BEGINNING OF YEAR	<u>294,217</u>	<u>5,439</u>	<u>299,656</u>
CASH BASIS NET POSITION- END OF YEAR	<u>\$ 361,374</u>	<u>\$ 1,394</u>	<u>\$ 362,768</u>
CASH BASIS ASSETS - END OF YEAR			
Cash	\$ 361,374	\$ 1,394	\$ 362,768
Total Cash Basis Assets	<u>\$ 361,374</u>	<u>\$ 1,394</u>	<u>\$ 362,768</u>
CASH BASIS NET POSITION - END OF YEAR			
Restricted for:			
Customer deposits	\$ 68,051	\$ -	\$ 68,051
Unassigned	293,323	1,394	294,717
Total Net Position	<u>\$ 361,374</u>	<u>\$ 1,394</u>	<u>\$ 362,768</u>

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

CITY OF MOORHEAD, MISSISSIPPI

**Statement of Fiduciary Net Position and Changes in Fiduciary Net Position - Cash Basis
As of and for the Year Ended September 30, 2015**

OTHER FINANCING SOURCES (USES):

Transfers and other interfund transactions	\$ 5,198
Other financing sources (uses)	<u>471</u>

Excess (Deficiency) of other financing sources over other financing uses	5,669
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CASH BASIS NET POSITION - BEGINNING OF YEAR	<u>4,644</u>
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CASH BASIS NET POSITION - END OF YEAR	<u><u>\$ 10,313</u></u>
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CASH BASIS ASSETS - END OF YEAR

Cash and cash equivalents	<u><u>\$ 10,313</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MOORHEAD, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2015**

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(1) Summary of Significant Accounting Policies.

As discussed further in Note 1.B, these financial statements are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. These cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

A. Financial Reporting Entity.

The City of Moorhead operates under a Council-Manager form of government and provides services authorized by its charter. The City's population is less than 2,500.

The City of Moorhead's financial statements includes all funds of the primary government and its component units which have significant operational or financial relationships with the City.

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 presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

C. Government-wide and Fund Financial Statements.

Government-wide Financial Statements – The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements. All remaining governmental and proprietary funds are

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

aggregated and reported as other governmental or proprietary funds.

The City reports the following major Governmental Funds:

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

Debt Service Fund – This fund is used to record the collection of taxes and the related debt service of the City's long-term debt obligations.

The City reports the following major Proprietary fund:

Enterprise Fund – This fund accounts for the activities of garbage collection and providing water and sewer services to its customers.

Additionally, the City reports the following fund types:

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Agency Funds - Agency Funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Measurement Focus and Financial Statement Presentation.

In the government-wide financial statements, both governmental and business-like activities are

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

presented using the economic resources measurement focus, within the limitations of the cash basis of accounting as previously defined.

The governmental fund financial statements are reported using the current financial resources measurement focus and the proprietary funds are reported using the economic resources measurement focus, as applied to the cash basis of accounting.

Amounts reported as program receipts included (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

As permitted by generally accepted accounting principles, the City of Moorhead has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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. Use of Estimates

The preparation of financial statements on the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of cash receipts and disbursements during the current period. Actual results could differ from those estimates.

G. Net Position/Fund Balance Classifications

Government-Wide Statements

Net position is reported in three categories:

1. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
2. Unrestricted net position consists of net position not meeting the definition of the category. Unrestricted net position often has constraints on resources imposed by management which

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

can be removed or modified.

Fund Financial Statements

Governmental Funds:

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as restricted, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Councilmen, Mayor and/or City Clerk pursuant to authorization by the policy adopted by the City.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

Proprietary Funds:

The proprietary funds are classified in the same manner as the government-wide financial statements, as described above.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend assigned resources first and then unassigned amounts.

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

(2) Cash and Other Deposits.

Cash and other deposits at September 30, 2015, consist of:

Cash in bank (checking and savings accounts)	\$ 547,319
Certificates of deposit	35,091
Cash on hand (change fund)	389
Total	<u>\$ 582,799</u>

The collateral pledged for the City's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

For accounting purposes, the total cash and other deposits listed above includes \$10,313 reported by the fiduciary funds of the City of Moorhead.

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

(3) General Long-term Debt.

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

	Balance 10/01/14	Additions	Reductions	Balance 9/30/15	Due Within One Year
<u>General</u>					
A. General obligation bonds payable	\$ 237,000	\$ -	\$ 28,000	\$ 209,000	\$ 30,000
B. Police car lease	44,747	-	13,971	30,776	14,500
Total	281,747	-	41,971	239,776	44,500
<u>Enterprise</u>					
C. Water & sewer revenue bonds payable	263,886	-	8,826	255,060	9,231
Total	263,886	-	8,826	255,060	9,231
Total	\$ 545,633	\$ -	\$ 50,797	\$ 494,836	\$ 53,731

A. General obligation bonds payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Public improvement bond, Series 2001	4.375-5.70%	2/1/2001	2/1/2021	\$ 490,000	\$ 209,000
Total				\$ 490,000	\$ 209,000

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

2001 Series Bonds			
Year Ending September 30	Principal	Interest	Total
2016	\$ 30,000	\$ 10,782	\$ 40,782
2017	32,000	9,112	41,112
2018	34,000	7,313	41,313
2019	35,000	5,398	40,398
2020	37,000	3,378	40,378
2021	41,000	1,169	42,169
Total 2001 Series Bonds	\$ 209,000	\$ 37,152	\$ 246,152

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CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

This debt will be retired from the debt service fund.

B. Police car lease.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Police car lease	3.718%	11/2/2013	10/2/2017	\$ 57,106	\$ 30,776
Total				<u>\$ 57,106</u>	<u>\$ 30,776</u>

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

Year Ending September 30	Principal	Interest	Total
2016	\$ 14,500	\$ 898	\$ 15,398
2017	15,048	350	15,398
2018	1,228	4	1,232
	<u>\$ 30,776</u>	<u>\$ 1,252</u>	<u>\$ 32,028</u>

This debt will be retired from the general fund.

C. Water & sewer revenue bonds payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Bonds, Series 1999	4.50%	1/22/1999	1/22/2034	\$ 349,200	\$ 255,060
Total				<u>\$ 349,200</u>	<u>\$ 255,060</u>

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

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

Year Ending September 30	1999 Series Jr. Lien Revenue Bonds		
	Principal	Interest	Total
2016	9,231	11,289	20,520
2017	9,655	10,865	20,520
2018	10,099	10,421	20,520
2019	10,563	9,957	20,520
2020	11,048	9,472	20,520
2021-2025	63,338	39,262	102,600
2026-2030	79,284	23,046	102,330
2031-2034	61,842	4,735	66,577
Total	<u>\$ 255,060</u>	<u>\$ 119,047</u>	<u>\$ 374,107</u>

This debt will be retired from the water and sewer fund.

(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 15.75% 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, 2015, 2014 and 2013 were \$71,324, \$73,192 and \$63,893, respectively.

(5) Contingencies

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the City.

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the City with respect to the various proceedings. However, the City's management believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City

(6) Legal Compliance

At September 30, 2015, the following water and sewer user fees were in effect:

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Water Rates:		
For the first 2,000 gallons per month or less (residential)	\$ 14.00	\$ 28.00
For all gallons over 2,000, rate per 1,000 gallons	2.00	4.00
Sewer Rates:		
Residential monthly rate	14.00	18.67

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

CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

(7) Customer Information

The City's utility billing registers reflected the following number of users at September 30, 2015, and total gallons billed during the year then ended:

WATER:

Total number of water customers at 9/30/2015:

Residential-inside city limits	536	
Residential-outside city limits	73	
Total residential customers		609
Commercial-inside city limits	25	
Commercial-outside city limits	-	
Total commercial customers		25
Total customers		634

[Note: The average number of water customers for the year is: residential-inside city limits, 532; residential-outside city limits, 73; commercial-inside city limits, 25; and commercial-outside city limits, 0.]

Gallons billed - water (12 months - in thousands)

Residential-inside city limits	48,788	
Residential-outside city limits	6,128	
Total residential usage		54,916
Commercial-inside city limits	58,173	
Commercial-outside city limits	-	
Total commercial usage		58,173
Total gallons billed - water		113,089

SEWER:

Total number of sewer customers @ 9/30/2015:

Residential-inside city limits	535	
Residential-outside city limits	52	
Total residential customers		587
Commercial-inside city limits	20	
Commercial-outside city limits	1	
Total commercial customers		21
Total customers		.608

[Note: The average number of sewer customers for the year is: residential-inside city limits, 529; residential-outside city limits, 53; commercial-inside city limits, 20; 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.

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CITY OF MOORHEAD, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2015

(8) 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>2014</u>	<u>2013</u>
General fund	81.00	81.00
Debt service	<u>9.00</u>	<u>9.00</u>
Total millage	<u><u>90.00</u></u>	<u><u>90.00</u></u>

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

The City Council, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

(9) Subsequent Events

Events that occur after the financial statement date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes. Management of the City of Moorhead evaluated the activity of the City through August 1, 2016 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

CITY OF MOORHEAD, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF MOORHEAD, MISSISSIPPI

Reconciliation of Tax Assessments to Fund Collections For the Year Ended September 30, 2015

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 3,041,960		
Personal - other than auto	320,429		
Auto and mobile homes (from county)	903,900		
Utilities	443,641		
Total	4,709,930		
Less: Special homestead	(665,929)		
Total	4,044,001	90.00	\$ 363,960

Collections/adjustments:

Plus: Municipal homestead reimbursement	27,735
Prior year tax collections	29,172
Penalties & interest	23,207
Deduct: County tax collector's commissions	(4,422)
Total To Account For	\$ 439,652

Collection Credit to Funds:

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 322,623	\$ 24,961	\$ 347,584
Debt Service Fund	32,717	2,774	35,491
Total	355,340	27,735	383,075

Balance represented by:

Unpaid property taxes	52,797
Unaccounted for	3,780
Total Accounted For	\$ 439,652

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:

Actual Collections:

2013 Tax	\$ 347,801
10% increase	34,780
Exempt property	-
	<u>\$ 382,581</u>

Actual Collections:

2014 Tax	\$ 322,623
Homestead reimbursement	24,961
Under limitation	33,602
	<u>\$ 381,186</u>

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CITY OF MOORHEAD, MISSISSIPPI

Schedule of Capital Assets For the Year Ended September 30, 2015

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets:				
Land	\$ 29,990	\$ -	\$ -	\$ 29,990
Buildings	485,630	-	-	485,630
Improvements other than buildings	436,622	-	-	436,622
Machinery and equipment	<u>457,520</u>	<u>-</u>	<u>-</u>	<u>457,520</u>
Total Governmental activities capital assets	<u>\$ 1,409,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,409,762</u>
Business-type activities:				
Capital Assets:				
Land	\$ 83,196	\$ -	\$ -	\$ 83,196
Improvements other than buildings	3,708,558	48,179	-	3,756,737
Machinery and equipment	<u>265,771</u>	<u>-</u>	<u>-</u>	<u>265,771</u>
Total Business-type activities capital assets	<u>\$ 4,057,525</u>	<u>\$ 48,179</u>	<u>\$ -</u>	<u>\$ 4,105,704</u>

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Long-Term Debt
For the Year Ended September 30, 2015**

	Balance Outstanding 10/1/2014	Transactions During Fiscal Year		Balance Outstanding 9/30/2015
		Issued	Redeemed	
<u>General</u>				
<u>General Obligation Bonds:</u>				
\$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.	\$ 237,000	-	28,000	\$ 209,000
Total General Obligation Bonds	237,000	-	28,000	209,000
 <u>Police car lease</u>				
\$57,106 lease for the purchase of 2 police cars; inception date of November 11, 2013, with an interest rate of 3.718%. The lease consists of 47 payments at \$1,293.57 each, ending October 2, 2017.	44,747		13,971	30,776
Total General Long-Term Debt	\$ 281,747	-	41,971	\$ 239,776

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Long-Term Debt
For the Year Ended September 30, 2015**

	Balance Outstanding 10/1/2014	Transactions During Fiscal Year		Balance Outstanding 9/30/2015
		Issued	Redeemed	
<u>Enterprise</u>				
\$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.	\$ 263,886	\$ -	\$ 8,826	\$ 255,060
Total Revenue Bonds	263,886	-	8,826	255,060
Total Proprietary Fund Debt	<u>\$ 263,886</u>	<u>\$ -</u>	<u>\$ 8,826</u>	<u>\$ 255,060</u>

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Investments - All Funds
September 30, 2015**

Ownership	Type of Investment	Interest Rate	Acquisition Date	Maturity Date	Other Information	Investment Cost/Value
General Funds	Certificate of deposit 3892	0.50%	3/19/2015	12/19/2015	Regions Bank	\$ 35,091

CITY OF MOORHEAD, MISSISSIPPI

**Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Bond*</u>
George Holland	Mayor	\$ 50,000
T.J. Fairley	Alderman	\$ 50,000
Joyce Walker	Alderman	\$ 50,000
Robin Roberts	Alderman	\$ 50,000
Darrell Wright	Alderman	\$ 50,000
Melvin Chambers	City Manager & Tax Collector	\$ 50,000 3,000
Michael Branch	Assistance City Manager	\$ 50,000
Lakeshia Jones	City Clerk	\$ 50,000
Constance Sanders	Court Clerk	\$ 50,000
Shericka Hayes	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.

CITY OF MOORHEAD, MISSISSIPPI

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

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CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Moorhead, Mississippi's basic financial statements, and have issued our report thereon dated August 1, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control 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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies below to be material weaknesses (2015-01, 2015-02, and 2015-03):

2015-01 Finding

The City does not have procedures in place to produce the financial statements, related notes, and other supplemental information. The City has historically relied on its auditor to provide draft financial statements. The lack of the City's preparation of the financial statements increases the risk of inadequate information being reported.

Recommendation

We recommend that the City develop a set of year-end procedures to ensure that the financial statements are prepared as prescribed by the Office of the Mississippi State Auditor and as required by the Governmental Accounting Standards Board.

Response

The City will, to the extent possible, put procedures in place to produce financial statements that are prepared as prescribed by the Office of the Mississippi State Auditor and as required by Governmental Accounting Standards Board.

2015-02 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.

2015-03 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.

Compliance and Other Matters

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

However, we did note certain immaterial instances of noncompliance with state laws and regulations that we reported to management of the City in a separate letter dated August 1, 2016, which is included in this report

City of Moorhead, Mississippi's Response to the Findings

City of Moorhead, Mississippi's responses to the findings identified in our audit are described above. The City of Moorhead, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read 'Cunningham CPAs', is written over the printed name and firm information.

Cunningham CPAs, PLLC
Belzoni, Mississippi
August 1, 2016

CITY OF MOORHEAD, MISSISSIPPI

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

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

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Fax: (251) 929-7779

**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 cash basis financial statements of the City of Moorhead as of and for the year ended September 30, 2015, and have issued our report dated August 1, 2016. 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 statements disclosed the following instances of noncompliance with state laws and regulations. Our finding and recommendation and your response is 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.

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.

The City of Moorhead's response to our finding included in this report was not audited and, accordingly, we express no opinion on it.

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

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



Cunningham CPAs, PLLC
Belzoni, Mississippi
August 1, 2016

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