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**CITY OF MOORHEAD**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants

# CITY OF MOORHEAD, MISSISSIPPI

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# CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

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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, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi, as of and for the year ended September 30, 2016, 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, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi for the year ended September 30,

2016; 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 City's Proportionate Share of the Net Pension Liability, and the Schedule of City 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 14, 2017, 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 14, 2017

**CITY OF MOORHEAD, MISSISSIPPI**  
**Statement of Activities and Net Position - Cash Basis**  
**As of and for the Year Ended September 30, 2016**

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	\$ 207,968	\$ 42,697	\$ -	\$ -	\$ (165,271)	\$ -	\$ (165,271)
Culture and recreation	41,371	-	-	-	(41,371)	-	(41,371)
Public safety	292,788	16,630	-	84,000	(192,158)	-	(192,158)
Public works	91,984	-	-	-	(91,984)	-	(91,984)
Interest on long-term debt	11,685	-	-	-	(11,685)	-	(11,685)
Total Governmental Activities	<u>645,796</u>	<u>59,327</u>	<u>-</u>	<u>84,000</u>	<u>(502,469)</u>	<u>-</u>	<u>(502,469)</u>
Business-type activities:							
Water, sewer and sanitation	679,650	563,924	-	143,928	-	28,202	28,202
Interest on long-term debt	11,289	-	-	-	-	(11,289)	(11,289)
Total Business-type Activities	<u>690,939</u>	<u>563,924</u>	<u>-</u>	<u>143,928</u>	<u>-</u>	<u>16,913</u>	<u>16,913</u>
Total Primary Government	<u>1,336,735</u>	<u>623,251</u>	<u>-</u>	<u>227,928</u>	<u>(502,469)</u>	<u>16,913</u>	<u>(485,556)</u>
General Receipts:							
Taxes:							
Ad valorem taxes					\$ 388,905	\$ -	\$ 388,905
Road district taxes					10,305	-	10,305
Sales taxes					103,273	-	103,273
Franchise taxes					38,766	-	38,766
Gasoline taxes					7,065	-	7,065
Intergovernmental shared receipts					64,700	-	64,700
Unrestricted investment earnings					159	147	306
Miscellaneous					10,300	2,303	12,603
Transfers and other interfund transactions					16,192	(16,192)	-
Total General Receipts					<u>639,665</u>	<u>(13,742)</u>	<u>625,923</u>
Change in Net Position					137,196	3,171	140,367
Net Position - Beginning					209,718	362,768	572,486
Net Position - Ending					<u>\$ 346,914</u>	<u>\$ 365,939</u>	<u>\$ 712,853</u>

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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 346,914	\$ 365,939	\$ 712,853
Total Assets	<u>\$ 346,914</u>	<u>\$ 365,939</u>	<u>\$ 712,853</u>
<b>NET Position</b>			
Restricted - Expendable:			
Debt service	\$ 48,590	\$ 41,032	\$ 89,622
Customer deposits	-	69,790	69,790
Unemployment	2,585	-	2,585
Fire protection	57,966	-	57,966
Unrestricted	237,773	255,117	492,890
Total Net Position	<u>\$ 346,914</u>	<u>\$ 365,939</u>	<u>\$ 712,853</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, 2016**

	<u>Major Funds</u>		
	<u>General</u>	<u>Debt Service</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>RECEIPTS:</b>			
Taxes			
General property taxes	\$ 328,284	\$ 36,091	\$ 364,375
Penalties & interest on delinquent taxes	24,530	-	24,530
Licenses and permits			
Privilege licenses	4,263	-	4,263
Franchise charges - utilities	38,766	-	38,766
Intergovernmental revenues:			
State grants:			
General municipal aid	1,199	-	1,199
Homestead reimbursement	24,327	2,693	27,020
State shared revenues:			
Sales taxes	103,273	-	103,273
Fire protection	15,425	-	15,425
Alcoholic beverage licenses	900	-	900
Gasoline taxes	7,065	-	7,065
In lieu taxes-Grand Gulf	15,147	-	15,147
MDOT reimbursement - highway and bridges	2,276	-	2,276
County shared revenues:			
Road district taxes	10,305	-	10,305
Rural fire protection	2,733	-	2,733
Charges for services:			
Garbage fees	23,784	-	23,784
Police fines, assessments, fees, etc.	16,630	-	16,630
Other revenues:			
Interest income	133	-	133
Local TAP grant matching proceeds	84,000	26	84,026
Leases	14,650	-	14,650
Miscellaneous	3,798	-	3,798
<b>TOTAL RECEIPTS</b>	<u>721,488</u>	<u>38,810</u>	<u>760,298</u>
<b>DISBURSEMENTS:</b>			
General government:			
Executive	37,389	-	37,389
Financial	81,301	-	81,301
Other	59,278	-	59,278
Public safety:			
Police	255,284	-	255,284
Fire	23,004	-	23,004
Public works:			
Care and maintenance	23,837	-	23,837
Street department	51,057	-	51,057
Waste and debris removal	9,697	-	9,697
Culture & recreation	25,243	-	25,243
Capital outlay	23,521	-	23,521
Redemption of principal	14,500	30,000	44,500
Interest on bonds	903	10,782	11,685
Total Disbursements	<u>605,014</u>	<u>40,782</u>	<u>645,796</u>
Excess (Deficiency) of receipts over disbursements	<u>116,474</u>	<u>(1,972)</u>	<u>114,502</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, 2016**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers	17,490	(1,298)	16,192
Other	<u>6,502</u>	<u>-</u>	<u>6,502</u>
Total other financing sources (uses)	<u>23,992</u>	<u>(1,298)</u>	<u>22,694</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	140,466	(3,270)	137,196
<b>CASH BASIS FUND BALANCE- BEGINNING OF YEAR</b>	<u>157,858</u>	<u>51,860</u>	<u>209,718</u>
<b>CASH BASIS FUND BALANCE- END OF YEAR</b>	<u><u>\$ 298,324</u></u>	<u><u>\$ 48,590</u></u>	<u><u>\$ 346,914</u></u>
<b>CASH BASIS ASSETS - END OF YEAR</b>			
Cash	<u>\$ 298,324</u>	<u>\$ 48,590</u>	<u>\$ 346,914</u>
Total Cash Basis Assets	<u><u>\$ 298,324</u></u>	<u><u>\$ 48,590</u></u>	<u><u>\$ 346,914</u></u>
<b>CASH BASIS FUND BALANCES - END OF YEAR</b>			
Restricted for:			
Debt service	\$ -	\$ 48,590	\$ 48,590
Unemployment	2,585	-	2,585
Fire protection	57,966	-	57,966
Unassigned	<u>237,773</u>	<u>-</u>	<u>237,773</u>
Total Fund Balances	<u><u>\$ 298,324</u></u>	<u><u>\$ 48,590</u></u>	<u><u>\$ 346,914</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, 2016**

	<u>Major Funds</u>		<u>Total Proprietary Funds</u>
	<u>Water &amp; Sewer Fund</u>	<u>Garbage Fund</u>	
<b>Operating Receipts:</b>			
Charges for services:			
Garbage fees	\$ -	\$ 74,290	\$ 74,290
Water and sewer charges	489,634	-	489,634
Total Operating Receipts	<u>489,634</u>	<u>74,290</u>	<u>563,924</u>
<b>Operating Disbursements:</b>			
Water and sewer	408,921	-	408,921
Sanitation	-	73,708	73,708
Total Operating Disbursements	<u>408,921</u>	<u>73,708</u>	<u>482,629</u>
<b>Nonoperating Receipts (Disbursements):</b>			
Interest income	147	-	147
DRA Eastmoor water and sewer grant receipts	143,928	-	143,928
Eastmoor water and sewer project disbursements	(143,928)	-	(143,928)
Redemption of principal	(9,231)	-	(9,231)
Interest on bonds	(11,289)	-	(11,289)
Capital outlay	(43,862)	-	(43,862)
Other	2,303	-	2,303
Total Nonoperating Receipts (Disbursements)	<u>(61,932)</u>	<u>-</u>	<u>(61,932)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Transfers	18,781	582	19,363
Transfers	<u>(22,771)</u>	<u>6,579</u>	<u>(16,192)</u>
Change in Net Position	(3,990)	7,161	3,171
<b>CASH BASIS NET POSITION- BEGINNING OF YEAR</b>	<u>361,374</u>	<u>1,394</u>	<u>362,768</u>
<b>CASH BASIS NET POSITION- END OF YEAR</b>	<u><u>\$ 357,384</u></u>	<u><u>\$ 8,555</u></u>	<u><u>\$ 365,939</u></u>
<b>CASH BASIS ASSETS - END OF YEAR</b>			
Cash	\$ 357,384	\$ 8,555	\$ 365,939
Total Cash Basis Assets	<u><u>\$ 357,384</u></u>	<u><u>\$ 8,555</u></u>	<u><u>\$ 365,939</u></u>
<b>CASH BASIS NET POSITION - END OF YEAR</b>			
Restricted for:			
Customer deposits	\$ 69,790	\$ -	\$ 69,790
Debt service	41,032	-	41,032
Unassigned	246,562	8,555	255,117
Total Net Position	<u><u>\$ 357,384</u></u>	<u><u>\$ 8,555</u></u>	<u><u>\$ 365,939</u></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, 2016**

**OTHER FINANCING SOURCES (USES):**

Transfers and other interfund transactions	\$ -
Other financing sources (uses)	<u>(67)</u>

Excess (Deficiency) of other financing sources over other financing uses	(67)
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CASH BASIS NET POSITION - BEGINNING OF YEAR	<u>10,313</u>
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CASH BASIS NET POSITION - END OF YEAR	<u><u>\$ 10,246</u></u>
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**CASH BASIS ASSETS - END OF YEAR**

Cash and cash equivalents	<u><u>\$ 10,246</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, 2016**

### **(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, 2016**

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 funds:

**Water & Sewer Fund and the Garbage Fund –** These funds account 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.

**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 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,

## **CITY OF MOORHEAD, MISSISSIPPI**

### **Notes to Financial Statements For the Year Ended September 30, 2016**

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 the following 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 above category. Unrestricted net position often has constraints on resources imposed by management which 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

## **CITY OF MOORHEAD, MISSISSIPPI**

### **Notes to Financial Statements For the Year Ended September 30, 2016**

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 City:

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, 2016**

#### **(2) Cash and Other Deposits.**

Cash and other deposits at September 30, 2016, consist of:

Cash in bank (checking and savings accounts)	\$ 721,873
Cash on hand (change fund)	<u>1,226</u>
Total	<u><u>\$ 723,099</u></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 \$10,246 reported by the fiduciary funds of the City of Moorhead.



# CITY OF MOORHEAD, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

### (3) General Long-term Debt.

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

	Balance 9/30/15	Additions	Reductions	Balance 9/30/16	Due Within One Year
<u>General</u>					
A. General obligation bonds payable	\$ 209,000	\$ -	\$ 30,000	\$ 179,000	\$ 32,000
B. Police car lease	30,776	-	14,500	16,276	15,048
Total	239,776	-	44,500	195,276	47,048
<u>Enterprise</u>					
C. Water & sewer revenue bonds payable	255,060	-	9,231	245,829	9,655
Total	255,060	-	9,231	245,829	9,655
Total	\$ 494,836	\$ -	\$ 53,731	\$ 441,105	\$ 56,703

#### 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	\$ 179,000
Total				<u>\$ 490,000</u>	<u>\$ 179,000</u>

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
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	<u>\$ 179,000</u>	<u>\$ 26,370</u>	<u>\$ 205,370</u>

# CITY OF MOORHEAD, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

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	\$ 16,276
Total				<u>\$ 57,106</u>	<u>\$ 16,276</u>

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 15,048	\$ 350	\$ 15,398
2018	1,228	4	1,232
	<u>\$ 16,276</u>	<u>\$ 354</u>	<u>\$ 16,630</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	\$ 245,829
Total				<u>\$ 349,200</u>	<u>\$ 245,829</u>

# CITY OF MOORHEAD, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

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
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	11,556	8,964	20,520
2022-2026	66,247	36,353	102,600
2027-2031	82,927	19,403	102,330
2032-2034	43,734	2,323	46,057
Total	<u>\$ 245,829</u>	<u>\$ 107,758</u>	<u>\$ 353,587</u>

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

### (4) Defined Benefit Pension Plan.

*Plan Description.* The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon

# CITY OF MOORHEAD, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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 employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$67,613, \$71,324 and \$73,192, 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.

*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) 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.

<b>Tax Years:</b>	<b>2015</b>	<b>2014</b>
General fund	81.00	81.00
Debt service	9.00	9.00
Total millage	90.00	90.00

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

## **CITY OF MOORHEAD, MISSISSIPPI**

### **Notes to Financial Statements For the Year Ended September 30, 2016**

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.

#### **(7) 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 14, 2017 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- On January 18, 2017, the City Council passed a resolution approving the issuance of a \$1,122,000 bond for water and sewer system improvements.

**CITY OF MOORHEAD, MISSISSIPPI**

**SUPPLEMENTAL INFORMATION**

# CITY OF MOORHEAD, MISSISSIPPI

## Reconciliation of Tax Assessments to Fund Collections For the Year Ended September 30, 2016

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 3,093,519		
Personal - other than auto	294,782		
Auto and mobile homes (from county)	1,061,511		
Utilities	459,741		
Total	4,909,553		
Less: Special homestead	(675,756)		
Total	4,233,797	90.00	\$ 381,042

### Collections/adjustments:

Plus: Municipal homestead reimbursement	27,020
Prior year tax collections	35,332
Penalties & interest	24,530
Deduct: County tax collector's commissions	(4,702)
<b>Total To Account For</b>	<b>\$ 463,222</b>

<u>Collection Credit to Funds:</u>	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 352,814	\$ 24,327	\$ 377,141
Debt Service Fund	36,091	2,693	38,784
Total	388,905	27,020	415,925
Balance represented by:			
Unpaid property taxes			45,378
Unaccounted for			1,919
<b>Total Accounted For</b>			<b>\$ 463,222</b>

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:

2014 Tax	\$ 347,584
10% increase	34,758
Exempt property	-
	<u>\$ 382,342</u>

### Actual Collections:

2015 Tax	\$ 352,814
Homestead reimbursement	24,327
Under limitation	5,201
	<u>\$ 382,342</u>

# CITY OF MOORHEAD, MISSISSIPPI

## Schedule of Capital Assets For the Year Ended September 30, 2016

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital Assets:				
Land	\$ 29,990	\$ -	\$ -	\$ 29,990
Buildings	485,630	-	-	485,630
Improvements other than buildings	436,622	16,128	-	452,750
Machinery and equipment	<u>457,520</u>	<u>7,393</u>	<u>-</u>	<u>464,913</u>
Total Governmental activities capital assets	<u>\$ 1,409,762</u>	<u>\$ 23,521</u>	<u>\$ -</u>	<u>\$ 1,433,283</u>
<b>Business-type activities:</b>				
Capital Assets:				
Land	\$ 83,196	\$ -	\$ -	\$ 83,196
Improvements other than buildings	3,756,737	143,928	-	3,900,665
Machinery and equipment	<u>265,771</u>	<u>43,862</u>	<u>-</u>	<u>309,633</u>
Total Business-type activities capital assets	<u>\$ 4,105,704</u>	<u>\$ 187,790</u>	<u>\$ -</u>	<u>\$ 4,293,494</u>



# CITY OF MOORHEAD, MISSISSIPPI

## Schedule of Long-Term Debt For the Year Ended September 30, 2016

	Balance Outstanding 9/30/2015	Transactions During Fiscal Year		Balance Outstanding 9/30/2016
		Issued	Redeemed	
<b><u>General</u></b>				
<b><u>General Obligation Bonds:</u></b>				
\$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.	\$ 209,000	-	30,000	\$ 179,000
Total General Obligation Bonds	209,000	-	30,000	179,000
<b><u>Police car lease</u></b>				
\$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.	30,776		14,500	16,276
Total General Long-Term Debt	\$ 239,776	-	44,500	\$ 195,276
<b><u>Enterprise</u></b>				
\$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.	\$ 255,060	\$ -	\$ 9,231	\$ 245,829
Total Proprietary Fund Debt	\$ 255,060	\$ -	\$ 9,231	\$ 245,829

**CITY OF MOORHEAD, MISSISSIPPI**

**Schedule of Surety Bonds of Municipal Officials  
For the Year Ended September 30, 2016**

<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
Michael Branch	Interim 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**

# CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

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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, each major fund, and the aggregate remaining fund information of the City of Moorhead, Mississippi, as of and for the year ended September 30, 2016, 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 14, 2017.

## **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 (2016-001, 2016-002, 2016-003 and 2016-004):

## **2016-001 Financial Statements and Related Disclosures**

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Under generally accepted auditing standards, outside auditors cannot be considered part of the City's internal control structure, and the design of the City's internal control structure does not include procedures for its preparation of external financial statements in accordance with generally accepted accounting principles.

Condition: Management requested the auditors prepare a draft of the City's financial statements, including the related notes to the financial statements. Outsourcing of this service is not unusual in Cities of your size and is a result of the City's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Cause: The City has opted not to incur the additional costs that it would take to train and keep personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures.

Effect: The preparation of its financial statements, related footnote disclosures and required supplemental information are outsourced. However, management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: Due to the cost of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

City's Response: Going forward, the City will contract with a separate accounting firm to provide financial statement services prior to the audit.

## **2016-002 Capital Assets**

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

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

Cause: The cause is a result of not properly implementing a system of accounting controls to track capital asset activity.

Effect: The effect of this condition is a higher risk for misappropriation of assets and a greater likelihood that the financial statements could be materially misstated.

Recommendation: It is recommended that the City establish policies and procedures to ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

City's Response: We plan to purchase a capital asset subsidiary system that will allow us to capture and track capital asset activity. In addition, we will begin developing a set of internal control policies and procedures to ensure proper accountability of capital assets.

#### **2016-003 Segregation of Duties**

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is properly segregating the duties of individuals receiving, receipting, posting to the general ledger and making deposits of cash.

Condition: Persons with access to cash can also post transactions to the general ledger and customer's subsidiary ledgers.

Cause: The cause is a result of limited staffing and overlapping of duties when needed.

Effect: The effect of this condition is a higher risk for misappropriation of assets.

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 ensure that assets are safeguarded against misuse or misappropriation

City's Response: We are in the process of putting procedures in place to limit access to cash for individuals that also post transactions to the general ledger and customer's subsidiary ledgers. We will also make sure there is oversight by other City employee(s) to help ensure that assets are safeguarded against misuse or misappropriation. There will be clear assignments of duties along with separate cash registers for each individual receipting cash.

#### **2016-004 Cash Receipts Process**

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition: There is a general lack of internal controls as it relates to the cash receipt process. The City does not reconcile daily receipts to a deposit slip to ensure that all receipts are being properly accounted for.

Cause: The cause is a result of the City not having adequate internal control practices.

Effect: The effect of this condition is a higher risk for misappropriation of assets.

Recommendation: We recommend that the City develop an adequate internal control system that includes a log of all incoming receipts, who receipted it and a daily reconciliation to the customer's subsidiary ledgers, the cash drawer and the deposit slips.

City's Response: We are in the process of developing and putting into action internal control policies and procedures to reduce the risk of misappropriation of assets to the greatest extent possible.

### **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 14, 2017, 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 that reads "Cunningham CPAs". The signature is stylized and cursive.

Cunningham CPAs, PLLC  
Belzoni, Mississippi  
August 14, 2017

**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

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

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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 cash basis financial statements of the City of Moorhead as of and for the year ended September 30, 2016, and have issued our report dated August 14, 2017. 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.

2. Finding

According to Section 21-35-7, Miss. Code Ann. (1972), the budget must be adopted on the board/council's minutes by September 15. During our testing, we noted the budget was not adopted until September 21, 2016.

According to Section 21-35-9, Miss. Code Ann. (1972), the budget and the statement of current revenues and expenses must be published at least once in September. During our testing, we noted the budget was not published until October 1, 2016.

According to Section 21-35-15, Miss. Code Ann. (1972), expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants. During our testing, we noted actual expenses exceeded the budget at the lowest level adopted for several departments and/or funds. The City failed to properly amend the budget to account for these variances. We did note that none of the amendments, if made, would have exceeded the 10% threshold requiring an advertisement of those amendments.

Recommendation

We recommend that the City take greater care in following the specific budget related state laws and regulations as outlined in the Municipal Accounting Guide.

Response

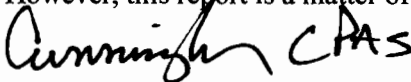
In the future, we will ensure that we follow all the budget related laws and regulations as described in the Municipal Accounting Guide.

The City of Moorhead's responses to our findings included in this report were not audited and, accordingly, we express no opinion on them.

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 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 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 14, 2017