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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

June 11, 2018

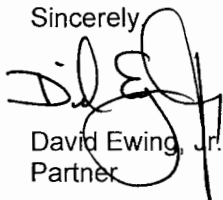
Mr. Stacey E. Pickering
State of Mississippi
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Mr. Pickering:

Enclosed is a copy of the City of Moorhead, Mississippi's audited financial for the year ended September 30, 2017.

Feel free to contact us should you have any additional questions or comments.

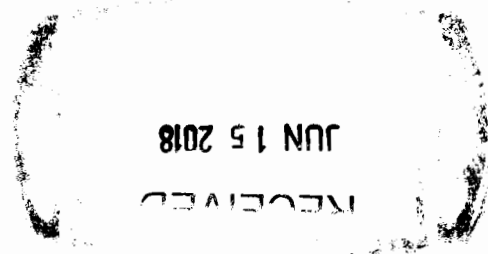
Sincerely



David Ewing, Jr., CPA
Partner

mfd

Enclosures



CITY OF MOORHEAD, MISSISSIPPI

**Financial Statement and
Supplemental Information**

For the Year Ended September 30, 2017

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CITY OF MOORHEAD, MISSISSIPPI
FINANCIAL STATEMENT AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor George Holland
and Honorable Members of the Board of Alderpersons
City of Moorhead, Mississippi

We have audited the accompanying combined statement of cash receipts and disbursements for each fund of the City of Moorhead, Mississippi for the year ended September 30, 2017, 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

As described in Note 1, the financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the City of Moorhead, Mississippi, for the year ended September 30, 2017 on the basis of accounting described in Note 1.

Other Matters

Required Supplemental Information

The City of Moorhead, Mississippi, Mississippi has not presented the Management's and Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relations to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Eng & Co.
Ridgeland, Mississippi
June 11, 2018

CITY OF MOORHEAD, MISSISSIPPI
Statement of Activities and Net Position - Cash Basis
For the Year Ended September 30, 2017

	Program Revenues			Net (Expenses) Revenues Changes in Net Position			Total
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
Administration	\$ 205,469	-	-	-	(205,469)	-	\$ (205,469)
Public safety	264,113	-	3,821	-	(260,292)	-	(260,292)
Public works	120,828	24,147	-	-	(96,681)	-	(96,681)
Health and welfare	7,053	-	-	-	(7,053)	-	(7,053)
Culture/parks and recreation	13,058	-	17,083	-	4,025	-	4,025
Principal payment on debt	44,836	-	-	-	(44,836)	-	(44,836)
Interest on long-term debt	9,122	-	-	-	(9,122)	-	(9,122)
Total governmental activities	<u>664,479</u>	<u>24,147</u>	<u>20,904</u>	<u>-</u>	<u>(619,428)</u>	<u>-</u>	<u>(619,428)</u>
Business-type activities:							
Water/Sewer	400,903	438,703	-	-	-	37,800	37,800
Garbage	68,245	72,583	-	-	-	4,338	-
Total Business-type activities	<u>469,148</u>	<u>511,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,138</u>	<u>37,800</u>
Total Primary Government	<u>\$ 1,133,627</u>	<u>535,433</u>	<u>20,904</u>	<u>-</u>	<u>(619,428)</u>	<u>42,138</u>	<u>\$ (581,628)</u>
General Revenues:							
Property taxes					\$ 399,003	-	\$ 399,003
Sales tax revenue					99,293	-	99,293
Other intergovernmental revenues					64,033	-	64,033
Franchise taxes					36,769	-	36,769
Fines and report fees					17,422	-	17,422
License and permits					3,212	-	3,212
Miscellaneous					54,060	-	54,060
Unrestricted investment earnings					190	153	343
Transfers					35,357	(35,357)	-
Total general revenues, special items, and transfers					<u>709,339</u>	<u>(35,204)</u>	<u>674,135</u>
Change in net assets					<u>89,911</u>	<u>6,934</u>	<u>92,507</u>
Net Position - Beginning					346,914	365,939	712,853
Prior period adjustments					(50,117)	4,400	(45,717)
Net Position - Beginning as restated					<u>296,797</u>	<u>370,339</u>	<u>667,136</u>
Net Position - Ending					<u>\$ 386,708</u>	<u>377,273</u>	<u>\$ 759,643</u>

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CITY OF MOORHEAD, MISSISSIPPI
Balance Sheet and Net Assets - Cash Basis
Governmental Funds
For the Year Ended September 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalent	\$ 386,708	265,160	\$ 651,868
Cash, restricted	-	112,113	112,113
TOTAL ASSETS	<u>\$ 386,708</u>	<u>377,273</u>	<u>\$ 763,981</u>
NET ASSETS			
Restricted for debt service	\$ 47,739	40,940	\$ 88,679
Restricted for customers deposits	-	71,173	71,173
Restricted for fire protection	73,767	-	73,767
Unassigned	<u>265,202</u>	<u>265,160</u>	<u>530,362</u>
Total Net Assets	<u>386,708</u>	<u>377,273</u>	<u>763,981</u>
TOTAL NET ASSETS	<u>\$ 386,708</u>	<u>377,273</u>	<u>\$ 763,981</u>

CITY OF MOORHEAD, MISSISSIPPI
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
General property taxes	\$ 373,186	38,840	\$ 412,026
Privilege licenses and permits	3,212	-	3,212
Intergovernmental revenues	184,230	-	184,230
Franchise taxes	36,769	-	36,769
Charges for services	24,147	-	24,147
Fines and report fees	19,818	-	19,818
Interest income	170	20	190
Miscellaneous	38,642	-	38,642
Total Revenues	<u>680,174</u>	<u>38,860</u>	<u>719,034</u>
EXPENDITURES:			
General Government:			
Administration and finance	196,489	-	196,489
Public Safety			
Police department	253,165	-	253,165
Fire department	16,372	-	16,372
Public works	97,631	-	97,631
Health and welfare	2,036	-	2,036
Culture and recreation	22,852	-	22,852
Debt services:			
Principal	12,836	32,000	44,836
Interest and service charges	-	9,122	9,122
Capital outlay:			
General government	1,110	-	1,110
Public safety	16,662	-	16,662
Health and welfare	4,203	-	4,203
TOTAL EXPENDITURES	<u>623,356</u>	<u>41,122</u>	<u>664,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>56,818</u>	<u>(2,262)</u>	<u>54,556</u>
OTHER CASH SOURCES (USES):			
Operating transfers in	35,357	-	35,357
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>35,357</u>	<u>-</u>	<u>35,357</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	92,175	(2,262)	89,913
Prior period adjustment	(51,528)	1,411	(50,117)
Cash Basis Fund Balance, October 1	298,324	48,590	346,914
Cash Basis Fund Balance, September 30	<u>\$ 338,971</u>	<u>47,739</u>	<u>\$ 386,710</u>
CASH BASIS FUND BALANCES - END OF YEAR			
Restricted for:			
Debt service	-	47,739	47,739
Fire protection	73,767	-	73,767
Unassigned	265,204	-	265,204
Total Fund Balances	<u>\$ 338,971</u>	<u>47,739</u>	<u>\$ 386,710</u>

CITY OF MOORHEAD, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Cash Basis
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 358,748	358,748	347,351	\$ (11,397)
Homestead exemption	25,835	25,835	25,835	-
Licenses and permits	10,031	10,031	3,212	(6,819)
Other intergovernmental revenues	49,363	49,363	52,470	3,107
Franchise taxes	36,769	36,769	36,769	-
Sales tax revenue	104,000	104,000	99,293	(4,707)
Grand gulf	15,147	15,147	15,568	421
Fines and report fees	19,800	19,800	19,818	18
Charges for services	25,440	25,440	24,147	(1,293)
Interest	81	81	170	89
Rent income	15,100	15,100	16,899	1,799
Miscellaneous	45,258	45,258	38,642	(6,616)
TOTAL REVENUES	<u>705,572</u>	<u>705,572</u>	<u>680,174</u>	<u>(25,398)</u>
OPERATING DISBURSEMENTS:				
General Government				
Administration	214,685	214,685	196,489	18,196
Public Safety				
Police protection	261,585	261,585	253,165	8,420
Fire protection	22,887	22,887	16,372	6,515
Public Works				
Streets improvements	90,589	90,589	97,631	(7,042)
Health and welfare	16,000	16,000	2,036	13,964
Culture and recreation	99,825	99,825	22,852	76,973
Capital outlays	28,699	28,699	21,975	6,724
Debt service	15,403	15,403	12,836	2,567
Total Expenditures	<u>749,673</u>	<u>749,673</u>	<u>623,356</u>	<u>126,317</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>(44,101)</u>	<u>(44,101)</u>	<u>56,818</u>	<u>100,919</u>
Other Financing Sources (Uses):				
Operating transfers in	17,418	17,418	35,357	17,939
Operating transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>17,418</u>	<u>17,418</u>	<u>35,357</u>	<u>17,939</u>
Net Change in Fund Balances	(26,683)	(26,683)	92,175	118,858
Cash Basis Fund Balance, Oct. 1	298,324	298,324	298,324	-
Prior Period Adjustment	-	-	(51,528)	(51,528)
Cash Basis Fund Balance, Sept. 30	<u>\$ 271,641</u>	<u>271,641</u>	<u>338,971</u>	<u>\$ 118,858</u>

CITY OF MOORHEAD, MISSISSIPPI
Combined Statement of Revenues, Expenses and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended September 30, 2017

	<u>Business -Type Activities</u>		
	<u>Water/Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Operating Revenues:			
Sales to customers	\$ 438,703	72,583	\$ 511,286
Total Operating Revenues	<u>438,703</u>	<u>72,583</u>	<u>511,286</u>
Operating Expenses:			
Personnel services	195,006	-	195,006
Supplies	51,045	-	51,045
Other services and charges	<u>130,193</u>	<u>68,245</u>	<u>198,438</u>
Total Operating Expenses	<u>376,244</u>	<u>68,245</u>	<u>444,489</u>
Operating income (loss)	<u>62,459</u>	<u>4,338</u>	<u>66,797</u>
Nonoperating revenues (expenses)			
Interest income	153	-	153
Principal payment on debt	(9,655)	-	(9,655)
Interest and service charges on long-term debt	(10,865)	-	(10,865)
Capital outlays	<u>(4,138)</u>	<u>-</u>	<u>(4,138)</u>
Total nonoperating revenues	<u>(24,505)</u>	<u>-</u>	<u>(24,505)</u>
Net Income Before Operating Transfers	37,954	4,338	42,292
Operating Transfers In	-	-	-
Operating Transfers (Out)	<u>(35,357)</u>	<u>-</u>	<u>(35,357)</u>
Change in Net Position	2,597	4,338	6,935
Cash Basis Net Position, October 1	<u>357,384</u>	<u>8,555</u>	<u>365,939</u>
Prior period adjustment	9,540	(5,140)	4,400
Retained Earnings as restated	<u>366,924</u>	<u>3,415</u>	<u>370,339</u>
Cash Basis Net Position, September 30	<u>\$ 369,521</u>	<u>7,753</u>	<u>\$ 377,274</u>
CASH BASIS NET POSITION - END OF YEAR			
Restricted for:			
Customer deposits	\$ 71,173	-	\$ 71,173
Debt service	40,940	-	40,940
Unassigned	<u>257,408</u>	<u>7,753</u>	<u>265,161</u>
Total Net Position	<u>\$ 369,521</u>	<u>7,753</u>	<u>\$ 377,274</u>

CITY OF MOORHEAD, MISSISSIPPI
Combining Balance Sheet and Nets Assets - Cash Basis
All Agency Funds
For the Year Ended September 30, 2017

Assets:	Payroll Clearing Fund	Accounts Payable Clearing	Total
Cash and cash equivalents	\$ 10,220	849	\$ 11,069
Total Assets	<u>\$ 10,220</u>	<u>849</u>	<u>\$ 11,069</u>
Net Assets			
Held for other	\$ 10,220	849	\$ 11,069
Total Net Assets	<u>\$ 10,220</u>	<u>849</u>	<u>\$ 11,069</u>

CITY OF MOORHEAD, MISSISSIPPI
Combining Statement of Changes in Net Assets - Cash Basis
All Agency Funds
For the Year Ended September 30, 2017

	Payroll Clearing Fund	Accounts Payable Clearing	Total
Additions			
Other additions	\$ -	3,573	\$ 3,573
Total Additions	-	3,573	3,573
Deductions			
General government	632	2,118	2,750
Total Deductions	632	2,118	2,750
Change in Net Assets	(632)	1,455	823
Net Asset at beginning of year	10,852	(606)	10,246
Net Asset at end of year	\$ 10,220	849	\$ 11,069

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 citizens.

The financial statements of the City of Moorhead, Mississippi, (City) have been prepared in conformity with the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenses and requisition of assets are recognized when cash is disbursed rather than when the obligation is incurred. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements issued after November 30, 1989. The more significant of the government's accounting policies are described below.

A. Fund Accounting

The financial statement consist of all the funds of the City of Moorhead: General Fund, Special Revenue Funds, Debt Services and the Enterprise Funds.

The accounts of the City of Moorhead are organized on the basis of funds, each of which is considered a separate accounting entity.

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 Fund: The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted for specific expenditure purposes. The Special Revenue Fund in this financial statement is used to account for receipts and disbursements of the City's restricted resources.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than debt of the Proprietary Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

PROPRIETARY FUNDS

Enterprise Fund: The Enterprise Fund is 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 cost and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Water and Sewer Funds are included in this category.

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MAJOR FUNDS

For 2017, the City reports the following major funds:

General Fund - reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the debt service transaction of the governmental fund type.

Water and Sewer Fund - accounts for the operating activities of the City's water and sewer utility services.

Garbage Fund - accounts for the operating activities of the City's garbage services.

B. Measurement Focus and Financial Statement Presentation

In the government-wide financial statement, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting which refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements are prepared on a cash receipts and disbursements basis, according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures or expenses are recognized when paid rather than when the obligation is incurred.

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 report 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 Statement 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.

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

The City deposits excess funds in the financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposits with maturities greater than 12 months when acquired.

D. Investments

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposits are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

E. Report Classification

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

F. Property Tax

Property taxes attach as an enforceable lien on property January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. The millage rate for the City for the fiscal year ended September 30, 2017 was as follows for general purposes.

<u>Tax Years</u>	<u>2016</u>	<u>2015</u>
General Fund	81.00	81.00
Debt Service	9.00	9.00
Total Millage	<u>90.00</u>	<u>90.00</u>

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 2 - BUDGET POLICY

- ♦ The City follows these procedures in establishing the budgetary data reflected in the financial statements:
- ♦ Prior to September 30, the City Clerk submits to the Mayor and Alderpersons a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and expenditures and the means of financing them.
- ♦ Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- ♦ The budget as submitted is reviewed by the Mayor and Alderpersons and necessary revisions are made to the budget. Then, the budget is approved prior to September 15.
- ♦ The Budget is formally revised during July of each year or anytime a deficit is indicated.
- ♦ Budgetary comparisons are employed by management as a management control device during the year for all funds.
- ♦ Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws. The major reconciling items between the budgetary and cash basis presentations are presented on the "budget to actual" statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

The collateral for public entities, deposits in financial institutions, is now 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, Mississippi 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.

The carrying amount of the City's deposits with financial institutions in the governmental activities, business-type activities funds and the agency funds were \$386,708, \$377,273, and \$11,069 respectively. The bank balance was \$804,858.

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a 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 formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2017, none of the City's bank balance of \$804,858 was exposed to custodial credit risk.

NOTE 4 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The City has implemented GASB Statement 54, as such, the fund balances of the governmental funds are classified by specific purpose as follows:

Restricted - amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

NOTE 5 - LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

A. Governmental Type Activities

During the year ended September 30, 2017, the following changes occurred in liabilities reported for the General Government:

	Balance Oct. 1, 2016	Additions	Retirements	Balance Sept. 30, 2017	Amount due Within one year
General obligation bonds	\$ 179,000	\$ -	\$ 32,000	\$ 147,000	\$ 34,000
Capital leases	16,276	-	15,048	1,228	1,228
Total	\$ 195,276	\$ -	\$ 47,048	\$ 148,228	\$ 35,228

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

General Obligation Bonds

The government issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

1. General Obligation Bonds Payable

The outstanding General Obligation Bonds are as follows as of September 30, 2017.

	<u>Amount Outstanding</u>
\$490,000, 2001 Public Improvement Bonds; original issue dated February 1, 2001, in denominations of \$5,000 each. Interest is variable from 4.375% to 5.70% 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. This debt will be retired from the City's General Fund.	\$ <u>147,000</u>

Annual debt service requirements to maturity for general obligation bonds for the General Government are as follows:

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>147,000</u>	\$ <u>17,258</u>	\$ <u>164,258</u>

The outstanding Obligation Under Capital Lease are as follows as of September 30, 2017.

Annual debt service requirements to maturity for capital lease for the General Government are as follows:

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>1,228</u>	<u>4</u>	\$ <u>1,232</u>

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

CHANGES IN LONG-TERM LIABILITIES

B. Business-Type Activities

During the year ended September 30, 2017, the following changes occurred in liabilities reported for the Water/Sewer Fund:

	Balance Oct. 1, 2016	Additions	Retirements	Balance Sept. 30, 2017	Amount due within one year
Combined water/sewer revenue bonds	\$ 245,829	-	9,655	236,174	\$ 10,099
Total	<u>\$ 245,829</u>	<u>\$ -</u>	<u>\$ 9,655</u>	<u>\$ 236,174</u>	<u>\$ 10,099</u>

The following is outstanding debt related to Business-Type Activities as of September 30, 2017.

1. Revenue Bonds Payable

The outstanding Revenue Bond Payable is as follows as of September 30, 2017.

	Amount Outstanding
\$438,000, 1999 Water Junior Lien Revenue Bonds, issued January 22, 1999, due in monthly installments of \$1,710 including interest at 4.50% beginning on the third anniversary date of the bond, with interest only on the first and second annual dates. The bonds mature on January 22, 2034. This debt will be retired from the City's Water/Sewer Fund.	236,174
Total Revenue Bonds Payable	<u>\$ 236,174</u>

Annual debt service requirements to maturity for revenue refunding bonds for the Proprietary Fund are as follows:

Fiscal year ending September 30	Principal	Interest	Total
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	11,310	9,210	20,520
2023-2027	65,425	37,175	102,600
2028-2032	83,161	19,439	102,600
2033-2034	33,552	1,545	35,097
Total	<u>\$ 236,714</u>	<u>\$ 106,183</u>	<u>\$ 342,897</u>

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 6 - CAPITAL OUTLAY DISBURSEMENTS

The City of Moorhead had \$26,113 in capital outlay disbursements during the current fiscal year.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. General Information

Plan Description and Provisions: The City of Moorhead, Mississippi, contributes to the Public Employees Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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.

Plan Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City of Moorhead, Mississippi is required to contribute at an actuarially determined rate. This rate was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Moorhead, Mississippi, contributions to PERS for the years ended September 30, 2017, 2016, and 2015 were \$61,824, \$71,324, and \$73,192, respectively, equal to the required contributions for each year.

NOTE 8 - FEDERAL GRANTS

During the fiscal year ended September 30, 2017, the City received federal grant and federal loan funds in the amount of \$20,904 and incurred grant expenditures in the same amount.

<u>Funding Source</u>	<u>Grant Name</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Award Expended</u>
MS Dept. of Public Safety Division of Justice Programs	Byrne/JAG Local Law	16.738	15LB3101	\$ 3,821
MS Dept. of Wildlife Fisheries and Parks	Outdoor Recreation Acquisition, Development and planning	15.916	LWCF 28-00629	<u>17,083</u> <u>\$ 20,904</u>

A single audit in accordance with Uniform Guidance was not required for the year ended September 30, 2017.

CITY OF MOORHEAD, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 9 - COMMITMENTS AND 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 grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provisions for any liability that may result has been recognized in the City's financial statements

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 11 - ECONOMIC DEPENDENCY

The City is a rural community in the Mississippi Delta. It is dependent on ad valorem taxes and user fees from its residents to remain viable.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 11, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

CITY OF MOORHEAD, MISSISSIPPI
Schedule of Capital Assets
For the Year Ended September 30, 2017

Governmental Activities:	Balance at 10/01/16	Additions	Deletions	Balance at 09/30/17
<i>Non-Depreciable Assets</i>				
Land	\$ 29,990	-	-	\$ 29,990
Total Non-Depreciable Assets	<u>29,990</u>	<u>-</u>	<u>-</u>	<u>29,990</u>
<i>Depreciable Capital Assets</i>				
Buildings	485,630	-	-	485,630
Improvements other than buildings	452,750	-	-	452,750
Infrastructure	<u>464,913</u>	<u>-</u>	<u>-</u>	<u>464,913</u>
Total Depreciable Capital Assets	<u>1,403,293</u>	<u>-</u>	<u>-</u>	<u>1,403,293</u>
Total Governmental Capital Assets	<u>\$ 1,433,283</u>	<u>-</u>	<u>-</u>	<u>\$ 1,433,283</u>
Business - Type Activities:				
<i>Non-Depreciable Assets</i>				
Land	\$ 83,196	-	-	\$ 83,196
Total Non-Depreciable Assets	<u>83,196</u>	<u>-</u>	<u>-</u>	<u>83,196</u>
<i>Depreciable Capital Assets</i>				
Improvements other than buildings	3,900,665	-	-	3,900,665
Machinery and equipment	<u>309,633</u>	<u>-</u>	<u>-</u>	<u>309,633</u>
Total Depreciable Capital Assets	<u>4,210,298</u>	<u>-</u>	<u>-</u>	<u>4,210,298</u>
Total Business-Type Capital Assets	<u>\$ 4,293,494</u>	<u>-</u>	<u>-</u>	<u>\$ 4,293,494</u>

CITY OF MOORHEAD, MISSISSIPPI
Schedule of Long -Term Debt
September 30, 2017

	Interest Rates	Issue Date	Final Maturity Date	Authorized	Issued	Balance at 10/01/16	Additions	Deletion	Balance at 09/30/17
General Government:									
General Obligations Bonds:									
Public improvement bonds	4.375% - 5.70%	02/01/2001	02/01/2021	\$ <u>490,000</u>	\$ <u>490,000</u>	\$ <u>179,000</u>	-	<u>32,000</u>	\$ <u>147,000</u>
Obligations Under Capital Leases:									
Capital lease - two police cars	3.718%	11/11/2013	10/02/2017	<u>57,106</u>	<u>57,106</u>	<u>16,276</u>	-	<u>15,048</u>	<u>1,228</u>
Total General Government Debt				<u>547,106</u>	<u>547,106</u>	<u>195,276</u>	-	<u>47,048</u>	<u>148,228</u>
<u>Business Type - Activities</u>									
Revenue Bonds									
1999 Water Junior Lien Revenue	4.50%	01/22/1999	01/22/2034	<u>349,200</u>	<u>349,200</u>	<u>245,829</u>	-	<u>9,655</u>	<u>236,174</u>
Total Revenue Bonds				<u>349,200</u>	<u>349,200</u>	<u>245,829</u>		<u>9,655</u>	<u>236,174</u>
Total Proprietary Debt				<u>349,200</u>	<u>349,200</u>	<u>245,829</u>	-	<u>9,655</u>	<u>236,174</u>
Grand Total				\$ <u>896,306</u>	\$ <u>896,306</u>	\$ <u>441,105</u>	\$ -	\$ <u>56,703</u>	\$ <u>384,402</u>

CITY OF MOORHEAD, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
George Holland	Mayor	Brierfield and Scott Municipal Insurance	\$ 50,000
T. J. Fairley	Alderman	Brierfield and Scott Municipal Insurance	50,000
Joyce Walker	Alderman	Brierfield and Scott Municipal Insurance	50,000
Robin Roberts	Alderman	Brierfield and Scott Municipal Insurance	50,000
Darrell Wright	Alderman	Brierfield and Scott Municipal Insurance	50,000
Andrew Smith	City Manager	Brierfield and Scott Municipal Insurance	50,000
Lakeshia Jones	City Clerk	Brierfield and Scott Municipal Insurance	50,000
Constance Sanders	Court Clerk	Brierfield and Scott Municipal Insurance	50,000
Shericka Hayes	Water Clerk	Brierfield and Scott Municipal Insurance	50,000
Bobby Walker	Chief of Police	Brierfield and Scott Municipal Insurance	100,000
Position Bond	Police officers	Brierfield and Scott Municipal Insurance	60,000



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor George Holland and
Honorable Members of the Board of Alderpersons
City of Moorhead, Mississippi

We have complied the accompanying cash basis financial statements of the City of Moorhead, Mississippi (the City), as of and for the year ended September 30, 2017, and have issued our report thereon dated June 11, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Moorhead, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Moorhead, Mississippi's internal control.

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.

Our consideration of the internal control was for limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Standard*.

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.

Brown, Eg & Co.
Ridgeland, Mississippi
June 11, 2018

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JUN 15 2018

CITY OF MOORHEAD, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2017

Finding 2017-001 - Contracting with an Independent CPA Firm

Finding

Management requested the auditors prepare a draft of the City's financial statements, including the related notes to the financial statements. However, we found that the same CPA firm provides bookkeeping services and performed the City's annual audit.

Auditor's Recommendation

Since the City has elected to outsource the services by hiring a CPA firm to prepare its financial statements and related notes, we recommend that the City hire a CPA who is independent of providing bookkeeping services and performing the annual audit.

City's Response

Subsequent to the end of fiscal year 2017, the City has hire a CPA firm to prepare its quarterly financial statements and related notes. Additionally, the City has hire a separate CPA firm to perform its annual audit.

Finding 2017-002 - Capital Assets

Finding

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

Auditor's Recommendation

The City show take a inventory of its capital assets and maintain detail subsidiary records of these assets, which should included the date of acquisition, serial number, inventory item number, a description of the asset, the acquisition cost of the asset and departmental codes (i.e. general fund, police department) and by asset category (i.e. land, building, motor vehicle, etc..).

City's Response

The City is planning to purchase a capital asset subsidiary system that will allow us to capture and track capital asset activity which will provide proper accountability of all capital assets.

CITY OF MOORHEAD, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2017

Finding 2016-001 - Financial Statements and Related Disclosures

Statement of 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 ensure internal resource costs.

Current Status: Not Corrected

Finding 2016-002 - Capital Assets

Statement of Condition

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

Current Status: Not Corrected

Finding 2016-003 - Segregation of Duties

Statement of Condition

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

Current Status: Corrected

Finding 2016-004 - Cash Receipts Process

Statement of 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.

Current Status: Corrected

STATE LEGAL COMPLIANCE SECTION

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

The Honorable Mayor George Holland and
Honorable Members of the Board of Alderpersons
City of Moorhead, Mississippi

We have audited the cash basis financial statements of the City of Moorhead, Mississippi, (the City) as of and for the year ended September 30, 2017, and have issued our report thereon dated June 11, 2018.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States America, *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 procedures performed to test compliance with certain other laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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

Brown, Ewing & Co.
Ridgeland, Mississippi
June 11, 2018