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CITY OF MOSS POINT, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2010



Wolfe·McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF MOSS POINT, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

CITY OF MOSS POINT, MISSISSIPPI
CITY OFFICIALS
For the Year Ended September 30, 2010

CITY OFFICIALS

Mayor Aneice Liddell

BOARD OF ALDERMEN/ALDERWOMEN

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

DEPARTMENT HEADS

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Aldermen
City of Moss Point, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Moss Point, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the City of Moss Point, Mississippi's internal control over financial reporting and on our tests of its compliance with certain 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* and should be considered in assessing the results of our audit.

Membership in:

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



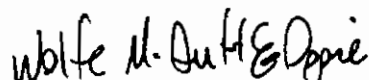
America Counts on CPAs

Independent Auditor's Report

Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 54 through 58 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Pascagoula, Mississippi
September 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

The discussion and analysis of the City of Moss Point, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- In 2010 and 2009, the City's net assets amounted to \$43,478,753 and \$41,412,400, respectively. The net assets for governmental activities totaled \$21,841,759 in 2010 and \$17,768,535 in 2009, contributing 50% and 43%, respectively, of total net assets; business-type activities contributed 50% and 57%, totaling \$21,636,994 in 2010 and \$23,643,865 in 2009.
- General revenues for 2010 and 2009 were \$8,774,684 and \$8,989,364, equaling 35% and 31% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were \$16,572,303 and \$19,601,894 for 2010 and 2009, equaling 65% and 69% of total revenues.
- In 2010 and 2009, the City had \$23,539,311 and \$26,623,104 in expenses, respectively; only \$16,572,303 and \$19,601,894 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$46,051,682 in 2010 and \$40,219,386 in 2009.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

Fiduciary financial statements - Fiduciary funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Since fiduciary funds report assets held in a trustee or agency capacity for others, these funds cannot be used to support the government's own programs.

Notes to the financial statements – The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 32 through of this report.

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

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the general fund. This required supplementary information can be found on pages 54 through 58 of this report.

Reporting the City's Most Significant Funds

Fund financial statements begin on page 21 and provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two major types of funds are discussed below:

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in the reconciliations found on pages 22 and 24.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets – Net assets may serve over time as a useful indicator of government's financial position. The following table presents a summary of the City's net assets for the fiscal years ended September 30, 2010 and 2009.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 14,366,933	11,404,389	(900,447)	735,524	13,466,486	12,139,913
Capital assets	16,882,388	12,937,783	29,169,294	27,281,602	46,051,682	40,219,385
Total assets	<u>31,249,321</u>	<u>24,342,172</u>	<u>28,268,847</u>	<u>28,017,126</u>	<u>59,518,168</u>	<u>52,359,298</u>
Long-term debt outstanding	6,075,573	3,806,037	5,733,512	3,611,781	11,809,085	7,417,818
Other liabilities	3,331,989	2,767,600	898,341	761,480	4,230,330	3,529,080
Total liabilities	<u>9,407,562</u>	<u>6,573,637</u>	<u>6,631,853</u>	<u>4,373,261</u>	<u>16,039,415</u>	<u>10,946,898</u>
Net assets:						
Invested in capital assets, net						
of debt	10,034,130	8,320,315	23,487,666	27,793,669	33,521,796	36,113,984
Restricted	3,863,815	1,592,055	265,502	675,550	4,129,317	2,267,605
Unrestricted	7,943,814	7,856,165	(2,116,174)	(4,825,354)	5,827,640	3,030,811
Total net assets	<u>\$ 21,841,759</u>	<u>17,768,535</u>	<u>21,636,994</u>	<u>23,643,865</u>	<u>43,478,753</u>	<u>41,412,400</u>

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

The City's restricted net assets (restricted by revenue source) accounted for 9% of total net assets in 2010 and 5% in 2009. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 77% and 87% in 2010 and 2009, respectively. The remaining balance consisted of unrestricted net assets, the part of net assets used to finance everyday operations without constraints of legal requirements.

Changes in net assets – The City's total revenues for the fiscal years ended September 30, 2010 and 2009 were \$25,346,987 and \$28,591,258, respectively. The total cost of all programs and services was \$23,539,311 and \$26,623,104. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2010 and 2009.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 1,321,775	1,253,402	8,756,185	8,030,740	10,077,960	9,284,142
Operating grants and contributions	4,070,077	4,954,940	-	-	4,070,077	4,954,940
Capital grants and contributions	2,424,266	5,362,812	-	-	2,424,266	5,362,812
General revenues:						
Property taxes	4,295,973	4,481,853	-	-	4,295,973	4,481,853
Franchise taxes	1,203,678	1,163,005	-	-	1,203,678	1,163,005
Other taxes	2,465,880	2,468,288	43,291	142,598	2,509,171	2,610,886
Other general revenues	763,045	704,330	2,817	29,290	765,862	733,620
Total revenues	<u>16,544,694</u>	<u>20,388,630</u>	<u>8,802,293</u>	<u>8,202,628</u>	<u>25,346,987</u>	<u>28,591,258</u>
Program expenses						
General government	6,858,735	7,868,249	-	-	6,858,735	7,868,249
Public safety	6,166,105	4,387,564	-	-	6,166,105	4,387,564
Public works	522,359	678,904	-	-	522,359	678,904
Culture and recreation	502,032	432,576	-	-	502,032	432,576
Urban & economic development	75,798	133,837	-	-	75,798	133,837
Debt service - interest	116,583	388,988	-	-	116,583	388,988
Natural disaster	7,011	1,875,203	-	-	7,011	1,875,203
Solid waste	1,177,790	1,143,973	-	-	1,177,790	1,143,973
Water, sewer & gas	-	-	8,112,898	9,713,810	8,112,898	9,713,810
Total expenses	<u>15,426,413</u>	<u>16,909,294</u>	<u>8,112,898</u>	<u>9,713,810</u>	<u>23,539,311</u>	<u>26,623,104</u>
Excess (deficiency)	1,118,281	3,479,336	689,395	(1,511,182)	1,807,676	1,968,154
Transfers in (out)	<u>2,334,083</u>	<u>(8,100,467)</u>	<u>(2,334,083)</u>	<u>8,100,467</u>	-	-
Increase in net assets	<u>\$ 3,452,364</u>	<u>(4,621,131)</u>	<u>(1,644,688)</u>	<u>6,589,285</u>	<u>1,807,676</u>	<u>1,968,154</u>

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

Governmental activities

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

	Governmental Activities			
	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 6,858,735	527,308	7,868,249	2,765,464
Public safety	6,166,105	4,681,414	4,387,564	(358,483)
Public works	522,359	522,359	678,904	678,904
Culture and recreation	502,032	502,032	432,576	432,576
Urban & economic development	75,798	75,798	133,837	133,837
Natural disaster	7,011	7,011	1,875,203	152,881
Solid waste	1,177,790	1,177,790	1,143,973	1,143,973
Debt service - interest	116,583	116,583	388,988	388,988
Total	<u>\$ 15,426,413</u>	<u>7,610,295</u>	<u>16,909,294</u>	<u>5,338,140</u>

Business-type activities

The City's business-type activities generated a change in net assets of \$(1,644,688). This represents a decrease of approximately \$8,233,973 from the previous year's change in net assets. The factors contributing to this decrease include:

- The Utilities had an increase of approximately 8% in revenue from the previous year.
- The Utilities had a decrease in expenses of 18% from the previous year.
- The Utilities had a change in transfers of 129%. In the previous year, the Utility fund received a transfer from the General fund. This year, the Utility fund transferred money to the General fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As the City completed the year, its governmental funds reported a combined fund balance of \$9,699,145, compared to \$8,818,369 in the previous year. Activities within the general fund contributed to 58% and 73% of the fund balances in 2010 and 2009, respectively.

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

General Fund Budgetary Highlights

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

With these adjustments, the actual expenditures were \$9,067,029 compared to \$10,113,048 of the final budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the general fund is provided in this report as required supplementary information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's total capital assets for 2010 and 2009 were \$46,051,682 and \$40,219,386, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's net assets for the fiscal years ended September 30, 2010 and 2009.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,131,823	2,124,193	131,117	189,348	2,262,940	2,313,541
Construction in progress	3,916,209	-	3,551,689	-	7,467,898	-
Buildings	8,271,853	8,301,083	18,566,008	18,507,777	26,837,861	26,808,860
Improvements - other	126,906	75,000	-	-	126,906	75,000
Equipment	6,844,713	6,111,316	2,529,852	2,486,390	9,374,565	8,597,706
Infrastructure	9,942,728	10,017,728	44,591,358	44,516,358	54,534,086	54,534,086
Accumulated depreciation	(14,351,844)	(13,691,537)	(40,200,730)	(38,418,270)	(54,552,574)	(52,109,807)
Total	<u>\$ 16,882,388</u>	<u>12,937,783</u>	<u>29,169,294</u>	<u>27,281,603</u>	<u>46,051,682</u>	<u>40,219,386</u>

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

This year's major construction projects included:

	Expended through September 30, 2010	Remaining Commitment
Primary Government		
Governmental activities:		
Moss Point Riverwalk East	\$ 72,321	361,679
City Hall	791,018	2,439,095
Central Fire Station	750,328	938,899
Moss Point Riverwalk North	278,697	194,203
Main Street Improvements	189,735	609,550
Riverwalk South Parking Lot	147,096	1,139,342
Water System Improvements	1,687,014	-
Total governmental activities	3,916,209	5,682,768
Business-type activities:		
Water System Repairs SRF 05	753,751	3,746,249
Sewer System Repairs SRF 04	244,317	1,255,683
Water Pollution Control SRF 03	1,294,775	205,225
Drinking Water Improvements DWI 01	1,258,846	21,370
Total business-type activities	3,551,689	5,228,527
Total	\$ 7,467,898	10,911,295

Debt Administration

At September 30, 2010, the City had \$12,749,572 in general obligation bonds and other long-term debt outstanding, of which \$1,344,367 is due within one year.

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds (backed by the City)	\$ 4,495,000	1,955,000	-	-	4,495,000	1,955,000
Revenue bonds and notes (backed by specific tax and fee revenues)	2,232,047	2,546,677	5,637,472	3,287,109	7,869,519	5,833,786
Capital leases	130,976	115,791	44,156	61,975	175,132	177,766
Compensated absences	173,069	193,432	36,852	47,494	209,921	240,926
Total	\$ 7,031,092	4,810,900	5,718,480	3,396,578	12,749,572	8,207,478

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

CITY OF MOSS POINT, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees to be charged for business-type activities. The local economy is slowly recovering from the loss of several major industries and revenues due to Hurricane Katrina, but the prospects for new industries are improving.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,272,933	1,984,676	8,257,609
Restricted cash and cash equivalents	-	679,147	679,147
Accounts receivables, net	4,175,886	99,329	4,275,215
Internal balances	3,682,896	(3,682,896)	-
Prepaid expenses	72,022	19,297	91,319
Other assets	163,196	-	163,196
Capital assets:			
Land and construction in progress	6,048,032	3,682,806	9,730,838
Other capital assets, net of depreciation	10,834,356	25,486,488	36,320,844
Total capital assets	<u>16,882,388</u>	<u>29,169,294</u>	<u>46,051,682</u>
Total assets	<u>31,249,321</u>	<u>28,268,847</u>	<u>59,518,168</u>
LIABILITIES			
Accounts payable and accrued expenses	2,101,017	424,132	2,525,149
Deferred revenues	4,110	-	4,110
Interest payable	67,122	55,130	122,252
Payroll liabilities	213,986	20,466	234,452
Long-term liabilities:			
Due within one year			
Bonds and notes payable	901,949	387,550	1,289,499
Compensated absences	43,805	11,063	54,868
Due in more than one year			
Deposits and escrow	-	413,645	413,645
Bonds and notes payable	5,946,309	5,294,078	11,240,387
Compensated absences	129,264	25,789	155,053
Total liabilities	<u>9,407,562</u>	<u>6,631,853</u>	<u>16,039,415</u>
NET ASSETS			
Investment in capital assets (net of related debt)	10,034,130	23,487,666	33,521,796
Restricted net assets:			
Debt service	3,863,815	-	3,863,815
Other purposes	-	265,502	265,502
Unrestricted net assets	7,943,814	(2,116,174)	5,827,640
Total net assets	<u>\$ 21,841,759</u>	<u>21,636,994</u>	<u>43,478,753</u>

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

CITY OF MOSS POINT, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

	Expenses	Program revenue		Net (expense) revenue and changes in net assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,858,735	273,815	4,049,158	2,008,454	(527,308)	-	(527,308)
Public safety	6,166,105	1,047,960	20,919	415,812	(4,681,414)	-	(4,681,414)
Public works	522,359	-	-	-	(522,359)	-	(522,359)
Culture and recreation	502,032	-	-	-	(502,032)	-	(502,032)
Urban & economic development	75,798	-	-	-	(75,798)	-	(75,798)
Natural disaster	7,011	-	-	-	(7,011)	-	(7,011)
Solid waste	1,177,790	-	-	-	(1,177,790)	-	(1,177,790)
Debt service - interest	116,583	-	-	-	(116,583)	-	(116,583)
Total governmental activities	<u>15,426,413</u>	<u>1,321,775</u>	<u>4,070,077</u>	<u>2,424,266</u>	<u>(7,610,295)</u>	<u>-</u>	<u>(7,610,295)</u>
Business-type activities:							
Water, sewer & gas	8,112,898	8,756,185	-	-	-	643,287	643,287
Total business-type activities	<u>8,112,898</u>	<u>8,756,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,287</u>	<u>643,287</u>
Total primary government	<u>\$ 23,539,311</u>	<u>10,077,960</u>	<u>4,070,077</u>	<u>2,424,266</u>	<u>(7,610,295)</u>	<u>643,287</u>	<u>(6,967,008)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,505,215	-	3,505,215
Property taxes, levied for debt services					790,758	-	790,758
Franchise taxes					1,203,678	-	1,203,678
Other taxes					2,465,880	43,291	2,509,171
Unrestricted investment earnings					4,612	2,817	7,429
Insurance proceeds					150,986	-	150,986
Miscellaneous					607,447	-	607,447
Transfers in (out)					2,334,083	(2,334,083)	-
Total general revenues					<u>11,062,659</u>	<u>(2,287,975)</u>	<u>8,774,684</u>
CHANGES IN NET ASSETS					3,452,364	(1,644,688)	1,807,676
Net assets - beginning					17,768,535	23,643,865	41,412,400
Prior period adjustments					620,860	(362,183)	258,677
Net assets - ending					<u>\$ 21,841,759</u>	<u>21,636,994</u>	<u>43,478,753</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2010

	<u>General Fund</u>	<u>CDBG Disaster Supplemental Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 191,984	100	6,080,849	6,272,933
Accounts receivable, net	742,552	847,553	400,911	1,991,016
Due from other funds	9,448,118	154,771	1,083,285	10,686,174
Prepaid expenses	72,022	-	-	72,022
Other assets	43,196	-	-	43,196
Total assets	<u>\$ 10,497,872</u>	<u>1,002,424</u>	<u>7,565,045</u>	<u>19,065,341</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 681,158	863,706	462,161	2,007,025
Other accrued liabilities	47,984	-	46,008	93,992
Payroll liabilities	213,986	-	-	213,986
Deferred revenue	1,000	-	3,110	4,110
Compensated absences, current	43,805	-	-	43,805
Due to other funds	3,930,488	89,497	2,983,293	7,003,278
Total liabilities	<u>4,918,421</u>	<u>953,203</u>	<u>3,494,572</u>	<u>9,366,196</u>
Fund balances:				
Reserved for:				
Debt service	-	-	3,863,815	3,863,815
Unreserved:				
General fund	5,579,451	-	-	5,579,451
Special revenue funds	-	-	206,658	206,658
Capital projects	-	49,221	-	49,221
Total fund balances	<u>5,579,451</u>	<u>49,221</u>	<u>4,070,473</u>	<u>9,699,145</u>
Total liabilities and fund balances	<u>\$ 10,497,872</u>	<u>1,002,424</u>	<u>7,565,045</u>	<u>19,065,341</u>

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

CITY OF MOSS POINT, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2010

Total governmental funds balance \$ 9,699,145

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

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

Governmental capital assets	\$ 31,234,232	
less: accumulated depreciation	<u>(14,351,844)</u>	16,882,388

Accounts receivable are recognized on the full accrual basis for the government-wide statement of net assets but not on the balance sheet - governmental fund statement	2,184,870
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(67,122)
Bonds and notes	(6,848,258)
Deferred Bond expenses	120,000
Compensated absences	<u>(129,264)</u>

Net assets of governmental activities	<u>\$ 21,841,759</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MOSS POINT, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2010

	<u>General Fund</u>	<u>CDBG Supplemental Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 3,505,215	-	790,758	4,295,973
Franchise taxes	1,203,678	-	-	1,203,678
Other taxes	2,050,311	-	415,569	2,465,880
Fees and fines	503,864	-	55,032	558,896
Licenses and permits	96,343	-	-	96,343
Charges for services	104,647	-	72,825	177,472
Investment earnings	1,869	-	2,743	4,612
Insurance proceeds	150,986	-	-	150,986
Contribution in aid	20,919	-	415,812	436,731
Grants	563,385	2,859,243	1,378,486	4,801,114
Miscellaneous	248,130	-	377,694	625,824
Total revenues	<u>8,449,347</u>	<u>2,859,243</u>	<u>3,508,919</u>	<u>14,817,509</u>
EXPENDITURES				
Current:				
General government	2,368,424	630,048	2,300,730	5,299,202
Public safety	6,166,105	-	-	6,166,105
Public works	498,306	-	24,053	522,359
Solid waste	1,177,790	-	-	1,177,790
Culture and recreation	319,057	-	182,975	502,032
Urban and economic development	73,550	-	2,248	75,798
Natural disaster	-	-	7,011	7,011
Debt service:				
Principal payments	43,404	-	1,127,679	1,171,083
Interest and fiscal charges	3,766	-	112,817	116,583
Capital outlay	568,154	2,229,195	835,031	3,632,380
Total expenditures	<u>11,218,556</u>	<u>2,859,243</u>	<u>4,592,544</u>	<u>18,670,343</u>
Excess of revenues over (under) expenditures	<u>(2,769,209)</u>	<u>-</u>	<u>(1,083,625)</u>	<u>(3,852,834)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	2,356,884	-	(22,801)	2,334,083
Loan proceeds	58,588	-	2,870,235	2,928,823
Total other financing sources (uses)	<u>2,415,472</u>	<u>-</u>	<u>2,847,434</u>	<u>5,262,906</u>
Net changes in fund balances	<u>(353,737)</u>	<u>-</u>	<u>1,763,809</u>	<u>1,410,072</u>
Fund balance - beginning of year	6,440,143	65,212	2,313,014	8,818,369
Prior period adjustments	(506,955)	(15,991)	(6,350)	(529,296)
Fund balance, restated	<u>5,933,188</u>	<u>49,221</u>	<u>2,306,664</u>	<u>8,289,073</u>
Fund balance - end of year	<u>\$ 5,579,451</u>	<u>49,221</u>	<u>4,070,473</u>	<u>9,699,145</u>

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

CITY OF MOSS POINT, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

Net change in fund balances - total governmental funds \$ 1,410,072

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

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

Capital outlay	\$ 3,293,861	
Depreciation expense	<u>(674,468)</u>	
Excess of capital outlay over depreciation expense		2,619,393

Revenues are recognized on the full accrual basis for the government-wide statement of activities but are not recognized on the statement of revenues, expenditures, and changes in fund balances - governmental funds 1,745,563

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 818,034

The proceeds of new debt is reported as revenue in the governmental funds, but as a long-term liability in the statement of net assets. (2,928,823)

Governmental funds do not present donated capital assets as contributions. In contrast, such contributions are presented in the statement of activities. 28,300

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset sold. (46,677)

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

Other expenses	\$ (257,666)	
Compensated absences	<u>64,168</u>	
		<u>(193,498)</u>

Changes in net assets of governmental activities \$ 3,452,364

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2010

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 931,080	220,788	561,271	271,537	1,984,676
Restricted cash and cash equivalents	-	-	-	679,147	679,147
Accounts receivable, net	77,052	-	22,277	-	99,329
Due from other funds	2,941,359	2,818,604	827,777	1,565,060	8,152,800
Prepaid expenses	-	15,786	-	3,511	19,297
Total current assets	<u>3,949,491</u>	<u>3,055,178</u>	<u>1,411,325</u>	<u>2,519,255</u>	<u>10,935,249</u>
Noncurrent assets:					
Capital assets:					
Land	3,594,921	-	87,885	-	3,682,806
Other capital assets, net of accumulated depreciation	18,083,770	-	7,402,718	-	25,486,488
Total noncurrent assets	<u>21,678,691</u>	<u>-</u>	<u>7,490,603</u>	<u>-</u>	<u>29,169,294</u>
Total assets	<u>25,628,182</u>	<u>3,055,178</u>	<u>8,901,928</u>	<u>2,519,255</u>	<u>40,104,543</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	210,523	131,623	108,569	49,013	499,728
Compensated absences	-	3,744	-	7,319	11,063
Due to other funds	3,580,966	4,016,858	2,409,485	1,828,387	11,835,696
Bonds and notes payable	248,131	-	139,419	-	387,550
Total current liabilities	<u>4,039,620</u>	<u>4,152,225</u>	<u>2,657,473</u>	<u>1,884,719</u>	<u>12,734,037</u>
Noncurrent liabilities:					
Deposits and escrow	-	-	-	413,645	413,645
Compensated absences	-	14,483	-	11,306	25,789
Bonds and notes payable	4,179,448	-	1,114,630	-	5,294,078
Total noncurrent liabilities:	<u>4,179,448</u>	<u>14,483</u>	<u>1,114,630</u>	<u>424,951</u>	<u>5,733,512</u>
Total liabilities	<u>8,219,068</u>	<u>4,166,708</u>	<u>3,772,103</u>	<u>2,309,670</u>	<u>18,467,549</u>
NET ASSETS					
Invested in capital assets, net of related debt	17,251,112	-	6,236,554	-	23,487,666
Restricted for:					
Other purposes	-	-	-	265,502	265,502
Unrestricted	158,002	(1,111,530)	(1,106,729)	(55,917)	(2,116,174)
Total net assets	<u>\$ 17,409,114</u>	<u>(1,111,530)</u>	<u>5,129,825</u>	<u>209,585</u>	<u>21,636,994</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2010

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
OPERATING REVENUES					
Charges for services	\$ 6,332,179	-	2,423,906	100	8,756,185
Tax revenue	-	-	43,291	-	43,291
Total operating revenues	<u>6,332,179</u>	<u>-</u>	<u>2,467,197</u>	<u>100</u>	<u>8,799,476</u>
OPERATING EXPENSES					
Personnel services	-	1,110,758	-	265,475	1,376,233
Administrative expenses	49,040	67,753	-	64,133	180,926
Wastewater treatment	1,147,389	-	720,471	-	1,867,860
Natural gas purchases	1,166,766	-	355,551	-	1,522,317
Utilities	40,930	931,085	5,656	11,662	989,333
Supplies	-	19,066	-	2,767	21,833
Depreciation	1,271,909	-	499,613	-	1,771,522
Other charges and services	6,340	147,018	-	204,787	358,145
Total operating expenses	<u>3,682,374</u>	<u>2,275,680</u>	<u>1,581,291</u>	<u>548,824</u>	<u>8,088,169</u>
Operating income (loss)	<u>2,649,805</u>	<u>(2,275,680)</u>	<u>885,906</u>	<u>(548,724)</u>	<u>711,307</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	1,507	88	451	771	2,817
Interest expense	(24,729)	-	-	-	(24,729)
Transfers in (out)	(4,596,397)	2,325,000	(837,686)	775,000	(2,334,083)
Total nonoperating revenues (expenses)	<u>(4,619,619)</u>	<u>2,325,088</u>	<u>(837,235)</u>	<u>775,771</u>	<u>(2,355,995)</u>
Changes in net assets	(1,969,814)	49,408	48,671	227,047	(1,644,688)
Total net assets - beginning of year, as originally presented	19,558,081	(1,245,024)	5,445,054	(114,246)	23,643,865
Prior period adjustments	(179,153)	84,086	(363,900)	96,784	(362,183)
Total net assets - beginning of year, as restated	<u>19,378,928</u>	<u>(1,160,938)</u>	<u>5,081,154</u>	<u>(17,462)</u>	<u>23,281,682</u>
Total net assets - end of year	<u>\$ 17,409,114</u>	<u>(1,111,530)</u>	<u>5,129,825</u>	<u>209,585</u>	<u>21,636,994</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2010

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 6,324,426	-	2,423,906	-	8,748,332
Payments for goods and services	(2,385,413)	(1,077,677)	(1,109,805)	(180,629)	(4,753,524)
Payments to employees	-	(1,119,576)	-	(267,299)	(1,386,875)
Payments for interfund services	(349,377)	86,482	(84,910)	(76,556)	(424,361)
Other receipts	<u>-</u>	<u>-</u>	<u>43,291</u>	<u>100</u>	<u>43,391</u>
Net cash provided (used) by operating activities	<u>3,589,636</u>	<u>(2,110,771)</u>	<u>1,272,482</u>	<u>(524,384)</u>	<u>2,226,963</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	<u>(4,596,397)</u>	<u>2,325,000</u>	<u>(837,686)</u>	<u>775,000</u>	<u>(2,334,083)</u>
Net cash provided (used) by noncapital financing activities	<u>(4,596,397)</u>	<u>2,325,000</u>	<u>(837,686)</u>	<u>775,000</u>	<u>(2,334,083)</u>
Cash flows from capital and related financing activities:					
Purchase and construction of capital assets	(2,508,011)	-	-	-	(2,508,011)
Proceeds from capital debt	2,548,647	-	-	-	2,548,647
Principal paid on capital debt	(113,618)	-	(102,485)	-	(216,103)
Interest paid on capital debt	<u>(24,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,729)</u>
Net cash provided (used) by capital and related financing activities	<u>(97,711)</u>	<u>-</u>	<u>(102,485)</u>	<u>-</u>	<u>(200,196)</u>
Cash flows from investing activities:					
Interest received	<u>1,507</u>	<u>88</u>	<u>451</u>	<u>771</u>	<u>2,817</u>
Net cash provided by investing activities	<u>1,507</u>	<u>88</u>	<u>451</u>	<u>771</u>	<u>2,817</u>
Net increase (decrease) in cash and cash equivalents	(1,102,965)	214,317	332,762	251,387	(304,499)
Cash and cash equivalents:					
Beginning of the year	<u>2,034,045</u>	<u>6,471</u>	<u>228,509</u>	<u>699,297</u>	<u>2,968,322</u>
End of the year	<u>\$ 931,080</u>	<u>220,788</u>	<u>561,271</u>	<u>950,684</u>	<u>2,663,823</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2010

	<u>Major Funds</u>				<u>Total Enterprise Funds</u>
	<u>Utility System Revenue Funds</u>	<u>Utility System Operation & Maintenance Funds</u>	<u>EUD Utility Revenue Funds</u>	<u>Other Nonmajor Funds</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 2,649,805	(2,275,680)	885,906	(548,724)	711,307
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	1,271,909	-	499,613	-	1,771,522
(Increase) decrease in current assets:					
Accounts receivable	(7,753)	-	-	-	(7,753)
Due from other funds	(157,035)	197,232	-	(93)	40,104
Other assets	42,360	2,909	19,640	(826)	64,083
Increase (decrease) in current liabilities:					
Accounts payable	(17,308)	84,336	(47,767)	103,546	122,807
Due to other funds	(192,342)	(110,750)	(84,910)	(9,241)	(397,243)
Customer deposits	-	-	-	(67,222)	(67,222)
Compensated absences	-	(8,818)	-	(1,824)	(10,642)
Net cash provided (used) by operating activities	<u>\$ 3,589,636</u>	<u>(2,110,771)</u>	<u>1,272,482</u>	<u>(524,384)</u>	<u>2,226,963</u>

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

CITY OF MOSS POINT, MISSISSIPPI
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
September 30, 2010

	Tax Collector's Fund
ASSETS	
Cash and cash equivalents	\$ 126,504
Accounts receivables, net	139,624
Total assets	\$ 266,128
 LIABILITIES	
Accounts payable and accrued expenses	-
Due to other agencies	\$ 266,128
Total liabilities	\$ 266,128

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

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

B. Basic Financial Statements - Government-Wide Statements

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

C. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the City:

Governmental Funds:

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

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds:

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

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

Fiduciary Funds:

Agency funds are used by the City to account for assets held by the City in a custodial capacity as an agent on behalf of others. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

D. Basis of Accounting

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

Accrual:

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual:

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

E. Financial Statement Amounts

Cash and Cash Equivalents:

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

Investments:

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

Capital Assets:

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

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues:

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

Expenditures:

Expenditures are recognized when the related fund liability is incurred.

Compensated Absences:

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

Interfund Activity:

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Fund Accounting Requirements

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

B. Deposits and Investments Laws and Regulations

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC. The City's deposits were fully insured or collateralized as required by statute at September 30, 2010.

C. Revenue Restrictions

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

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

For the year ended September 30, 2010, the City complied, in all material respects, with these revenue restrictions.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

D. Debt Restrictions and Covenants

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

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

The City deposits funds in financial institutions selected by the Board of Alderman in accordance with Mississippi statutes. Allocation of the resulting balance is accomplished with inter-bank transfers. Approved city depositories for the calendar years 2009-2010 were as follows:

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

By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2010, fall into the credit risk category of "Insured or collateralized with securities held by the entity or its agent in the entity's name."

Deposits at September 30, 2010, (including restricted deposits) are as follows:

	Bank Balances	Total Carrying Value
Pooled deposits:		
Cash and cash equivalents	\$ 9,914,030	8,936,756
Reconciliation to government-wide statement of net assets:		
Restricted cash		\$ 679,147
Unrestricted cash		8,257,609
		8,936,756
Fiduciary cash		126,504
		\$ 9,063,260

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

C. Accounts Receivable

Accounts receivable at September 30, 2010, consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
General fund:			
Ad valorem taxes	\$ 256,398	191,100	65,298
Franchise taxes	345,832	-	345,832
Grants	1,509,068	-	1,509,068
Police court fines	3,114,420	2,158,174	956,246
Other	50,978	-	50,978
	<u>5,276,696</u>	<u>2,349,274</u>	<u>2,927,422</u>
Other governmental funds:			
Ad valorem taxes	12,693	-	12,693
Grants	1,120,230	-	1,120,230
Other	115,541	-	115,541
Total other governmental funds	<u>1,248,464</u>	<u>-</u>	<u>1,248,464</u>
Total governmental activities	<u>6,525,160</u>	<u>2,349,274</u>	<u>4,175,886</u>
Enterprise funds:			
Utility system revenue	171,471	94,420	77,051
EUD utility revenue	43,088	20,810	22,278
Total business-type activities	<u>214,559</u>	<u>115,230</u>	<u>99,329</u>
Total government-wide activities	<u>\$ 6,739,719</u>	<u>2,464,504</u>	<u>4,275,215</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

D. Capital Assets:

Capital asset activity for the year ended September 30, 2010, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases/ Adjustments	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,124,193	7,630	-	2,131,823
Construction in progress	-	2,711,616	1,204,593	3,916,209
Total capital assets not being depreciated	<u>2,124,193</u>	<u>2,719,246</u>	<u>1,204,593</u>	<u>6,048,032</u>
Capital assets being depreciated:				
Buildings	8,301,083	20,670	(49,900)	8,271,853
Improvements - other	75,000	51,906	-	126,906
Infrastructure	10,017,728	-	(75,000)	9,942,728
Equipment	6,111,316	530,339	203,058	6,844,713
Total capital assets being depreciated	<u>24,505,127</u>	<u>602,915</u>	<u>78,158</u>	<u>25,186,200</u>
Less accumulated depreciation for:				
Buildings	(3,055,808)	(190,196)	3,223	(3,242,781)
Improvements - other	(33,750)	(4,249)	-	(37,999)
Infrastructure	(5,063,187)	(212,509)	10,938	(5,264,758)
Equipment	(5,538,792)	(267,514)	-	(5,806,306)
Total accumulated depreciation	<u>(13,691,537)</u>	<u>(674,468)</u>	<u>14,161</u>	<u>(14,351,844)</u>
Total capital assets being depreciated, net	<u>10,813,590</u>	<u>(71,553)</u>	<u>92,319</u>	<u>10,834,356</u>
Total governmental activities capital assets, net	<u>\$ 12,937,783</u>	<u>2,647,693</u>	<u>1,296,912</u>	<u>16,882,388</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 189,348	-	(58,231)	131,117
Construction in progress	-	2,464,549	1,087,140	3,551,689
Total capital assets not being depreciated	<u>189,348</u>	<u>2,464,549</u>	<u>1,028,909</u>	<u>3,682,806</u>
Capital assets being depreciated:				
Buildings	18,507,777	-	58,231	18,566,008
Infrastructure and improvements - other	44,516,358	-	75,000	44,591,358
Equipment	2,486,390	43,462	-	2,529,852
Total capital assets being depreciated	<u>65,510,525</u>	<u>43,462</u>	<u>133,231</u>	<u>65,687,218</u>
Less accumulated depreciation for:				
Buildings	(11,991,114)	(437,724)	-	(12,428,838)
Infrastructure and improvements - other	(24,144,525)	(1,295,841)	(10,938)	(25,451,304)
Equipment	(2,282,631)	(37,957)	-	(2,320,588)
Total accumulated depreciation	<u>(38,418,270)</u>	<u>(1,771,522)</u>	<u>(10,938)</u>	<u>(40,200,730)</u>
Total capital assets being depreciated, net	<u>27,092,255</u>	<u>(1,728,060)</u>	<u>122,293</u>	<u>25,486,488</u>
Total business-type activities capital assets, net	<u>\$ 27,281,603</u>	<u>736,489</u>	<u>1,151,202</u>	<u>29,169,294</u>
Primary government				
Total capital assets, net	<u>\$ 40,219,386</u>	<u>3,384,182</u>	<u>2,448,114</u>	<u>46,051,682</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

A summary of construction in progress transactions for the year ended September 30, 2010, follows:

	<u>Expended through September 30, 2010</u>	<u>Remaining Commitment</u>
Primary Government		
Governmental activities:		
Moss Point Riverwalk East	\$ 72,321	361,679
City Hall	791,018	2,439,095
Central Fire Station	750,328	938,899
Moss Point Riverwalk North	278,697	194,203
Main Street Improvements	189,735	609,550
Riverwalk South Parking Lot	147,096	1,139,342
Water System Improvements	<u>1,687,014</u>	<u>-</u>
Total governmental activities	<u>3,916,209</u>	<u>5,682,768</u>
Business-type activities:		
Water System Repairs SRF 05	753,751	3,746,249
Sewer System Repairs SRF 04	244,317	1,255,683
Water Pollution Control SRF 03	1,294,775	205,225
Drinking Water Improvements DWI 01	<u>1,258,846</u>	<u>21,370</u>
Total business-type activities	<u>3,551,689</u>	<u>5,228,527</u>
Total	<u>\$ 7,467,898</u>	<u>10,911,295</u>

Depreciation expense was charged to functions/programs for the year ended September 30, 2010 as follows:

Governmental activities:	
General government	\$ <u>674,468</u>
Total governmental activities depreciation expense	<u>674,468</u>
Business-type activities:	
Utility system revenue	1,271,909
EUD utility revenue	<u>499,613</u>
Total business-type activities depreciation expense	<u>1,771,522</u>
Total government-wide depreciation expense	<u>\$ 2,445,990</u>

E. Accounts Payable:

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

F. Long-Term Debt:

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2010, is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation debt	\$ 1,955,000	3,000,000	460,000	4,495,000	590,000
Notes payable	1,127,737	-	314,630	813,107	160,380
Community disaster loan	1,418,940	-	-	1,418,940	114,368
	<u>4,501,677</u>	<u>3,000,000</u>	<u>774,630</u>	<u>6,727,047</u>	<u>864,748</u>
Less discount	-	(9,765)	-	(9,765)	-
Total bonds and notes payable	<u>4,501,677</u>	<u>2,990,235</u>	<u>774,630</u>	<u>6,717,282</u>	<u>864,748</u>
Other liabilities:					
Capital leases	115,791	58,588	43,403	130,976	37,201
Compensated absences	193,432	-	20,363	173,069	43,805
Total other liabilities	<u>309,223</u>	<u>58,588</u>	<u>63,766</u>	<u>304,045</u>	<u>81,006</u>
Total governmental activities long-term liabilities	<u>\$ 4,810,900</u>	<u>3,048,823</u>	<u>838,396</u>	<u>7,021,327</u>	<u>945,754</u>
Business-type activities:					
Bonds and notes payable:					
Water and sewer debt	\$ 1,227,468	2,195,805	154,822	3,268,451	226,039
Drinking water loan	949,467	309,380	-	1,258,847	54,307
Community disaster loan	1,110,174	-	-	1,110,174	89,437
Total bonds and notes payable	<u>3,287,109</u>	<u>2,505,185</u>	<u>154,822</u>	<u>5,637,472</u>	<u>369,783</u>
Other liabilities:					
Capital leases	61,975	43,462	61,281	44,156	17,767
Compensated absences	47,494	-	10,642	36,852	11,063
Total other liabilities	<u>109,469</u>	<u>43,462</u>	<u>71,923</u>	<u>81,008</u>	<u>28,830</u>
Total business-type activities long-term liabilities	<u>\$ 3,396,578</u>	<u>2,548,647</u>	<u>226,745</u>	<u>5,718,480</u>	<u>398,613</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

At September 30, 2010, notes payable consisted of the following individual issues:

Governmental activities:	<u>General Long- Term Debt</u>
Bonds and notes:	
General obligation bond refunding, Series 2005, due in various annual installments, bearing interest at 2.80% - 3.40%, maturing 2011	\$ 250,000
General obligation public improvement bonds, series 1998, due in various annual installments, bearing interest at 4.20% - 6.00%, maturing 2013	465,000
General obligation street bonds, series 1998, due in various annual installments, bearing interest at 4.38% - 6.00%	780,000
State of Mississippi capital improvements program loan, due in monthly installments of \$2,773, bearing interest at 3.00%, maturing 2020	273,107
Special obligation bond, Series 2010, due in various annual installments, bearing interest at 2.00%-3.75%, maturing 2030	3,000,000
HUD section 108 government guaranteed participation loan, due in various annual installments, bearing interest at variable rates, maturing 2014	540,000
Unsecured community disaster loan, bearing interest at 2.81%, maturing 2011	<u>1,418,940</u>
Total general obligation bonds and notes	<u>6,727,047</u>
Capital leases:	
Capital lease note, payable in monthly installments of \$312, maturing 2013, secured by 2010 Ford F-150	11,219
Capital lease note, payable in monthly installments of \$994, maturing 2014, secured by New Holland Tractor	42,866
Capital lease note, payable in monthly installments of \$1,899, secured by excavator	73,521
Capital lease note, payable in monthly installments of \$682, secured by Ford F-150	<u>3,370</u>
Total capital lease obligations	<u>130,976</u>
	6,858,023
Less current portion of long-term debt	(901,949)
Less discount	(9,765)
Compensated absences	<u>129,264</u>
Total governmental activities long-term debt	<u><u>\$ 6,075,573</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

Business-type activities:

Bonds and notes:

Unsecured community disaster loan, bearing interest at 2.81%, maturing March 2011	\$ 1,110,174
State Revolving Fund Loan, payable in monthly installments of \$4,524, bearing interest at 1.75%, maturing 2017, secured by sales tax revenues	308,791
State Revolving Fund Loan, payable in monthly installments of \$7,429, bearing interest at 1.75%, maturing 2017, secured by sales tax revenues	545,257
State Revolving Fund Loan, payable in monthly installments of \$7,490, bearing interest at 1.75%, maturing 2017, secured by sales tax revenues	1,294,775
State Revolving Fund Loan, payable in monthly installments of \$11,235, bearing interest at 1.75%, maturing 2031, secured by sales tax revenues. Loan is not in repayment.	753,751
State Revolving Fund Loan, payable in monthly installments of \$, bearing interest at 1.75%, maturing 2017, secured by sales tax revenues	244,317
Drinking Water Systems Improvements Revolving Loan, payable in monthly installments of \$7,319 beginning September 2010, bearing interest at 1.95%, maturing 2028, secured by sales tax revenues	1,258,847
State of Mississippi Capital Improvement Program Loan, bearing interest at 4.25% maturing 2012	<u>121,560</u>
Total general obligation bonds and notes	<u>5,637,472</u>

Capital leases:

Capital lease note, payable in monthly installments of \$3,858, secured by Vacoan wash truck	3,847
Capital lease note, payable in monthly installments of \$969, secured by Well Point Machine	35,748
Capital lease note, payable in monthly installments of \$473, secured by two Ford Rangers	471
Capital lease note, payable in monthly installments of \$249, secured by Ford Ranger	<u>4,090</u>
Total capital lease obligations	<u>44,156</u>

	5,681,628
Less current portion of long-term debt	(387,550)
Compensated absences	<u>25,789</u>
Total business-type activities long-term debt	<u>\$ 5,319,867</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

General Obligation Bonds

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations. The balance on bonds outstanding at September 30, 2010 was \$4,495,000 with a current portion of \$590,000.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2010, are as follows:

	Governmental Activities - Bonds and Notes			
	Bonds and Notes		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 864,748	273,832	37,202	3,641
2012	756,287	299,512	35,881	2,587
2013	800,700	255,257	37,097	1,369
2014	667,412	207,161	20,796	261
2015-2030	<u>3,637,900</u>	<u>1,151,528</u>	-	-
Total	<u>\$ 6,727,047</u>	<u>2,187,290</u>	<u>130,976</u>	<u>7,858</u>

	Business-type Activities - Bonds and Notes			
	Bonds and Notes		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 369,783	140,005	17,767	1,174
2012	481,569	167,316	12,179	688
2013	460,490	139,733	11,320	302
2014	478,477	111,727	2,890	16
2015-2030	<u>3,847,153</u>	<u>424,561</u>	-	-
Total	<u>\$ 5,637,472</u>	<u>983,342</u>	<u>44,156</u>	<u>2,180</u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

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

G. Interfund Balances

Interfund balances as of September 30, 2010 consisted of the following:

	DUE TO:							Total
	Governmental Activities			Business-type Activities				
	General Fund	CDBG Disaster Supplemental Fund	Other Govt. Funds	Utility System Revenue	Utility System Operation and Maint.	EUD Utility Revenue funds	Other Enterprise	
<u>DUE FROM:</u>								
Governmental activities:								
General fund	\$ 295,031	33,744	2,536,943	-	4,016,858	846,509	1,719,033	9,448,118
CDBG Disaster Supplemental fund	92,820	-	61,951	-	-	-	-	154,771
Other governmental funds	747,436	55,753	274,993	5,103	-	-	-	1,083,285
Business-type activities:								
Utility system revenue	2,791,421	-	93,407	-	-	-	56,531	2,941,359
Utility system operation and maintenance	-	-	-	2,783,420	-	5,898	29,286	2,818,604
EUD utility revenue funds	-	-	11,797	792,443	-	-	23,537	827,777
Other Enterprise	3,780	-	4,202	-	-	1,557,078	-	1,565,060
Total	<u>\$3,930,488</u>	<u>89,497</u>	<u>2,983,293</u>	<u>3,580,966</u>	<u>4,016,858</u>	<u>2,409,485</u>	<u>1,828,387</u>	<u>18,838,974</u>

H. Interfund Transfers

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES

A. Property Tax

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

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

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

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

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

For the years ended September 30, 2010 and 2008, the City's tax rates were as follows:

	<u>2009-2010</u>	<u>2008- 2009</u>
	<u>Millage</u>	<u>Millage</u>
City Funds:		
General fund	40.00	40.00
Fire protection	0.25	0.25
Library	1.50	1.50
Advertising resources	0.25	0.25
Bond redemption fund	8.00	8.00
Total City administered funds	<u>50.00</u>	<u>50.00</u>
School Funds:		
District maintenance	57.79	57.79
School debt	<u>3.72</u>	<u>3.72</u>
Total school administered funds	<u>61.51</u>	<u>61.51</u>
Total levy	<u><u>111.51</u></u>	<u><u>111.51</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES (continued)

B. Pension Plans

Defined Benefit Pension Plan

Plan Description:

The City of Moss Point, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy:

PERS members are required to contribute 9.00% of their annual covered salary and the City of Moss Point, Mississippi is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Moss Point, Mississippi's contributions to PERS for the years ended September 30, 2010, 2009, and 2008 were \$688,156, \$496,081, and \$463,862 respectively, representing the required contributions for the year.

C. Commitments and Contingencies

Related Party Transactions

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

Grants and Awards

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

Litigation

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES (continued)

Lease agreements:

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

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

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

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

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES (continued)

Lease agreements:

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

D. Joint Venture

The City is a member of the joint venture Jackson County Utility Authority (the Authority), which was established by an act of the Mississippi Legislature to design and implement a water pollution abatement plan. The Authority is responsible for the operations and maintenance of the wastewater treatment plants for the cities of Gautier, Moss Point, Ocean Springs and Pascagoula. The Authority enters into subscription agreements with each of the governing bodies and districts to fund its operations. The City of Moss Point, Mississippi's subscription agreement called for monthly payments of \$164,390 for the 2009-2010 fiscal year.

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2010, a complete copy of which is on file at the administrative offices of the Authority located at 1225 Jackson Avenue, Pascagoula, MS 39567.

BALANCE SHEET

ASSETS

Current assets	\$ 12,805,915
Restricted investments	4,203,489
Capital assets	123,902,447
Total assets	\$ 140,911,851

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	\$ 13,398,011
Noncurrent liabilities	10,018,316
Total liabilities	23,416,327

NET ASSETS

Total liabilities and fund balance	\$ 117,495,524
	\$ 140,911,851

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 8,219,617
Operating expenses	(8,956,306)
Non-operating revenues	4,783,804
Non-operating expenses	(589,410)
Capital contributions and grants	48,992,121
Change in net assets	\$ 52,449,826

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES (continued)

E. Jointly Governed Venture

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

F. Deficit fund balances/Retained earnings

Deficit fund balances of individual funds are as follows:

Governmental activities:		
Pelican Landing Operating Fund	\$	7,276
Community Development		186,424
Federal Disaster Assistance Fund		1,655,083
Capital Improvement Fund		271,731
Moss Point Library Project Fund		2,215
Hurricane Relief		1,068
Hazard Mitigation Fund		250,013
Seized Assets Fund		<u>1,071</u>
Total governmental activities		<u>2,374,881</u>
Business-type activities:		
Utility System Operation and Maintenance		<u>1,111,530</u>
Total business-type activities		<u>1,111,530</u>
Total government-wide activities	\$	<u><u>3,486,411</u></u>

G. Prior Period Adjustments

	Governmental Activities	Business-type Activities	Total Government- Wide
GOVERNMENT-WIDE:			
Net assets, September 30, 2009, as originally presented	\$ 17,768,535	23,643,865	41,412,400
To adjust allowance for accounts receivable	(576,409)	(1,632,280)	(2,208,689)
To adjust capital assets	1,343,590	1,151,202	2,494,792
To adjust accounts payable	(105,513)	118,895	13,382
To adjust prior year's due to/due from accounts	<u>(40,808)</u>	<u>-</u>	<u>(40,808)</u>
Total prior period adjustments	<u>620,860</u>	<u>(362,183)</u>	<u>258,677</u>
Restated net assets, September 30, 2009	<u><u>\$ 18,389,395</u></u>	<u><u>23,281,682</u></u>	<u><u>41,671,077</u></u>

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

NOTE 4. OTHER NOTES (continued)

GOVERNMENTAL FUNDS:

	<u>General Fund</u>	<u>CDBG Supplemental Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances, September 30, 2009, as originally presented	\$ 6,440,143	65,212	3,117,911	9,623,266
To adjust accounts receivable	(546,031)	(15,991)	(14,387)	(576,409)
To adjust accounts payable and other accrued liabilities	87,921	-	-	87,921
To adjust due to/from accounts	<u>(48,845)</u>	<u>-</u>	<u>8,037</u>	<u>(40,808)</u>
Total prior period adjustments	<u>(506,955)</u>	<u>(15,991)</u>	<u>(6,350)</u>	<u>(529,296)</u>
Restated fund balance, September 30, 2009	<u>\$ 5,933,188</u>	<u>49,221</u>	<u>3,111,561</u>	<u>9,093,970</u>

PROPRIETARY FUNDS:

	<u>Utility System Revenue</u>	<u>Utility System Operation & Maintenance</u>	<u>EUD Utility Revenue</u>	<u>Other Nonmajor Funds</u>	<u>Total Business- type Funds</u>
Fund balances, September 30, 2009, as originally presented	\$19,558,081	(1,245,024)	5,445,054	(114,246)	23,643,865
To adjust receivable/allowance	(1,244,844)	-	(387,436)	-	(1,632,280)
To adjust long term debt	(61,975)	61,975	-	-	-
To adjust capital assets	1,127,666	-	23,536	-	1,151,202
To adjust accounts payable and other accrued liabilities	<u>-</u>	<u>22,111</u>	<u>-</u>	<u>96,784</u>	<u>118,895</u>
Total prior period adjustments	<u>(179,153)</u>	<u>84,086</u>	<u>(363,900)</u>	<u>96,784</u>	<u>(362,183)</u>
Restated fund balance, September 30, 2009	<u>\$19,378,928</u>	<u>(1,160,938)</u>	<u>5,081,154</u>	<u>(17,462)</u>	<u>23,281,682</u>

H. Subsequent Events

Events that occur after the statement of net assets date but before the financial statements were 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 statement of net assets date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management has evaluated the activity of the City through September 23, 2011 (the date the financial statements were available to be issued) and determined that there were no subsequent events that required recognition or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOSS POINT, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, October 1, 2009	\$ 216,449	10,026,901	15,339,038	5,312,137
Resources (inflows):				
Taxes	3,615,000	3,615,000	6,742,919	3,127,919
Licenses and permits	1,295,000	1,295,000	601,181	(693,819)
Inter-governmental revenues	3,321,216	3,321,216	829,276	(2,491,940)
Charges for services	695,700	695,700	1,208,051	512,351
Fines and forfeitures	21,150	21,150	-	(21,150)
Miscellaneous	39,200	39,200	426,885	387,685
Transfers	1,325,599	1,325,599	1,153,646	(171,953)
Amounts available for appropriations	<u>\$ 10,529,314</u>	<u>20,339,766</u>	<u>26,300,996</u>	<u>5,961,230</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2010
(continued)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Charges to appropriations (outflows):				
<i>General Government</i>				
Personnel services	\$ 385,463	385,463	507,154	(121,691)
Supplies and other charges	522,700	522,700	129,909	392,791
Capital outlay	6,800	6,800	16,062	(9,262)
<i>Police</i>				
Personnel services	2,104,679	2,104,679	2,052,036	52,643
Supplies and other charges	410,700	410,700	422,602	(11,902)
Capital outlay	12,000	12,000	8,179	3,821
<i>Fire</i>				
Personnel services	2,235,158	2,235,158	2,441,122	(205,964)
Supplies and other charges	226,200	226,200	343,966	(117,766)
Capital outlay	112,350	112,350	32,517	79,833
<i>Economic Development and Public Relations</i>				
Personnel services	-	-	63,024	(63,024)
Supplies and other charges	30,000	30,000	7,501	22,499
Capital outlay	-	-	111,202	(111,202)
<i>Sanitation Department</i>				
Supplies	1,180,000	1,180,000	1,177,790	2,210
<i>Culture & Recreation</i>				
Personnel services	158,123	158,123	170,972	(12,849)
Supplies and other charges	176,600	176,600	143,155	33,445
Capital outlay	150,000	150,000	-	150,000
<i>Judicial Department</i>				
Personnel services	146,237	146,237	146,805	(568)
Supplies and other charges	13,800	13,800	6,940	6,860
<i>Inspection Department</i>				
Personnel services	238,324	238,324	215,911	22,413
Supplies and other charges	27,000	27,000	12,449	14,551
<i>Public Works</i>				
Personnel services	700,218	700,218	98,440	601,778
Supplies and other charges	581,000	581,000	399,209	181,791
Capital outlay	39,200	39,200	24,788	14,412
<i>Data Processing Department</i>				
Supplies and other charges	122,500	122,500	18,689	103,811
Capital outlay	-	-	65,215	(65,215)
<i>Safety and Human Resources</i>				
Personnel services	148,818	148,818	157,341	(8,523)
Supplies and other charges	45,200	45,200	27,789	17,411
<i>Community Development</i>				
Personnel services	153,878	153,878	142,033	11,845
Supplies and other charges	31,000	31,000	28,209	2,791
<i>Pelican Landing</i>				
Personnel services	25,000	25,000	12,455	12,545
Supplies and other charges	130,100	130,100	83,565	46,535
Total charges to appropriations	<u>10,113,048</u>	<u>10,113,048</u>	<u>9,067,029</u>	<u>1,046,019</u>
Budgetary fund balance, September 30, 2010	<u>\$ 416,266</u>	<u>10,226,718</u>	<u>17,233,967</u>	<u>7,007,249</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF BUDGET-TO-ACTUAL RECONCILIATION
GENERAL FUND
For the Year Ended September 30, 2010

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

Sources/inflows of resources:

	General Fund
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 26,300,996
Difference - budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(15,339,038)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,153,646)
The budget is prepared on the cash basis whereas the fund statements are on the modified accrual basis. This is the net effect of accrual transactions.	<u>(1,358,965)</u>
Total revenues as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds, general fund	<u>\$ 8,449,347</u>

-

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,067,029
Differences - budget to GAAP	
The budget is prepared on the cash basis whereas the fund statements are on the modified accrual basis. This is the net effect of accrual transactions.	<u>2,151,527</u>
Total expenditures as reported on the Statement of revenues, expenditures, and changes in fund balances - governmental funds, general fund	<u>\$ 11,218,556</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2010

NOTE 1: BUDGETARY DATA

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

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

CITY OF MOSS POINT, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2010

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS (BUDGET)

Deficit department balances within the general fund are as follows:

Fire - personnel services	\$	(205,964)
Fire - supplies		(117,766)
General Government -personnel		(121,691)
General Government - capital outlay		(9,262)
Police - supplies and other charges		(11,902)
Economic Development and Public Relations - personnel		(63,024)
Economic Development and Public Relations - personnel		(111,202)
Culture and Recreation - personnel services		(12,849)
Judicial Department - personnel services		(568)
Data Processing Department - Capital outlay		(65,215)
Safety and Human Resources - Personnel services		<u>(8,523)</u>
Total governmental activities	\$	<u><u>(727,966)</u></u>

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS
For the Year Ended September 30, 2010

Name	Position	Amount
Aneice Liddell	Mayor	\$ 50,000
Adlean Liddell	City Clerk	50,000
Houston Cunningham	Alderman	50,000
Sherwood Bradford	Alderman	50,000
Ruby Hill	Alderman	50,000
Robert Byrd	Alderman	50,000
Shirley Chambers	Alderman	50,000
Thomas Hightower	Alderman	50,000
George Martin Jr.	Alderman	50,000

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Defense			
Passed Through State:			
ARRA American Recovery and Reinvestment Act	12.124	B-09-MC-28-0004	<u>23,286</u>
Total U.S. Department of Defense			<u>23,286</u>
U.S. Department of Housing and Urban Development			
Passed Through State:			
Community Development Block Grant	14.218	W-24 & W-24a B-07-MC-28-0004 and	482,421
Community Development Block Grant	14.218	B-08-MC-28-0004 R-103-268-01-KP, R-	152,107
Community Development Block Grant	14.218	109-268-02-KCR	2,739,383
Community Development Block Grant	14.228	R-101-06-010	<u>135,850</u>
Total U.S. Department of Housing and Urban Development			<u>3,509,761</u>
U.S. Department of Justice			
Passed Through State:			
Local Law Enforcement Block Grant	16.592		4,776
Edward Byrne-JAG Grant	16.738		<u>24,483</u>
Total U.S. Department of Justice			<u>29,259</u>
U.S. Department of Transportation			
Passed Through State:			
Urban Youth	20.205		<u>26,293</u>
Total U.S. Department of Transportation			<u>26,293</u>
U.S. Environmental Protection Agency			
Passed Through State:			
Mississippi Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280854-03, & 04	594,592
ARRA Mississippi Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280854-05- ARSR	472,501

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S Environmental Protection Agency Mississippi State Department of Health Capitalization Grants for Drinking Water State Revolving Fund	66.468	DWI-H280120-01	<u>84,425</u>
Total U.S Environmental Protection Agency			<u>1,151,518</u>
U.S. Department of Homeland Security Passed Through State:			
Disaster Grant - Public Assistance - Hurricane Katrina	97.036	1604-DR-MS	1,586,133
Hazard Mitigation Grant	97.039		178,503
Assistance to Firefighters Grant	97.044	EMW-2009-FO-04770	<u>128,040</u>
Total U.S. Department of Homeland Security			<u>1,892,676</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,632,793</u></u>

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. LOAN AGREEMENTS OUTSTANDING

Proceeds of State Revolving Fund loans were obtained for sewer rehabilitation and drinking water system improvements. The State Revolving Fund is financed, at least in part, by the U.S. Environmental Protection Agency. The principal balance on September 30, 2010, was:

SRF-C280854-01-2	\$ 308,791
SRF-C280854-02-2	545,257
SRF-C280854-03-0	1,294,775
SRF-C280854-04-0	244,317
SRF-C280854-05-ARSR	753,751
DWI-H280120-01-1	<u>1,258,847</u>
	<u><u>\$ 4,405,738</u></u>

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Wolfe • McDuff & Oppie

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

The Honorable Mayor and Board of Aldermen
City of Moss Point, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moss Point, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the City of Moss Point, Mississippi's basic financial statements and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Refer to finding 9/2010 - 3.

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**Report on Internal Control Over Financial Reporting and on Compliance
and other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***
Page 2

A 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 described in the accompany schedule of findings and questioned costs to be significant deficiencies. Refer to finding 9/2010 - 1, 9/2010 - 2 and 9/2010 - 4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Moss Point, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 9/2010 - 1, 9/2010 - 2 and 9/2010 - 3.

We also noted certain matters that we reported to the management of the City of Moss Point, Mississippi in a separate letter dated September 23, 2011.

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

This report is intended solely for the information and use of management, Board of Aldermen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe M. Autry & Aprie
Pascagoula, Mississippi
September 23, 2011



Wolfe • McDuff & Oppie

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Board of Aldermen
City of Moss Point, Mississippi

Compliance

We have audited the compliance of the City of Moss Point, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Moss Point, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Moss Point, Mississippi's management. Our responsibility is to express an opinion on the City of Moss Point, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Moss Point, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Moss Point, Mississippi's compliance with those requirements.

In our opinion, the City of Moss Point, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 9/2010 - 4

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

Internal Control Over Compliance

Management of the City of Moss Point, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Moss Point, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Moss Point, Mississippi's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 9/2010 -5 to be a significant deficiency.

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

This report is intended solely for the information and use of management, Board of Aldermen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe McDuff & Oppie

Pascagoula, Mississippi
September 23, 2011



Wolfe • McDuff & Oppie

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REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Aldermen
City of Moss Point, Mississippi

We have audited the accompanying financial statements of the City of Moss Point, Mississippi as of and for the year ended September 30, 2010, and have issued our report dated September 23, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

Wolfe • McDuff & Oppie

Pascagoula, Mississippi
September 23, 2011

Membership in:

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



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements: | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs:
U.S. Department of Housing and Urban Development - Community Development Block Grant - CFDA No. 14.218
ARRA - Capitalization Grants for Clean Water State Revolving Funds - CFDA No. 66.458 | |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | Yes |

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT

9/2010 - 1

Finding

The auditor discovered a lack of segregation in the tax collection department. The deputy clerk has the ability to change assessments, send bills and receive cash. There is also a lack of segregation when a clerk in accounting assists in the tax collection, then receives the cash, takes it to the bank, and reconciles the account.

Recommendation

We recommend that the tax department segregate more of its duties between the two clerks collecting the taxes. We further recommend that no clerk receive cash, take it to the bank and reconcile the account. These should be done by separate individuals.

Auditee's Response

We are in the process of evaluating our internal controls and will take this matter into consideration.

9/2010 - 2

Finding

During fiscal year 2010, the City of Moss Point implemented a new accounting program and also transitioned to a pooled cash system. After the implementation, errors were identified in the system-generated journal entries to record the pooled cash activity.

Recommendation

We recommend that the City receive further training from the vendor in order to understand all automatic entries and transactions that occur behind the scenes and take the necessary measures to ensure these transactions are occurring as they should.

Auditee's Response

Prior to completion of the 2010 audit, the vendor worked with the City to perform a review of the system-generated journal entries. An adjustment, for an immaterial amount, was recorded to correct the errors generated by the system.

9/2010 - 3

Finding

Because of the limitations of the City's small office staff, the City has not established procedures to ensure that its external financial statements are free from material errors. As a result, it was necessary for the auditor to identify account balances where material adjustments were required in order for the information to be presented in accordance with U.S. generally accepted accounting principles.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

Recommendation

We recommend that the City implement additional internal controls over financial reporting, such as additional review processes, including the addition of controls surrounding the conversion of account balances from the current financial resources measurement focus to the accrual basis of accounting.

Auditee's Response

We are in the process of evaluating our internal controls and will take this matter into consideration.

9/2010 - 4

Finding

The auditor discovered a lack of dual control in the utilities department. The customer service representatives and supervisor count their cash drawers without dual control.

Recommendation

We recommend that the utility department utilize two people while counting cash. One person should count their cash while the other person watches.

Auditee's Response

We are in the process of evaluating our internal controls and will take this matter into consideration.

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

9/2010 - 5

Finding

The City has not established procedures to ensure that the Schedule of Expenditures of Federal Awards is accurate. As a result, it was necessary for the auditor to identify all federal grant expenditures to comply with OMB Circular A-133.

Recommendation

We recommend that the City implement additional procedures to enable accurate and timely preparation of the Schedule of Expenditures of Federal Awards.

Response

We are in the process of evaluating our internal controls and will take this matter into consideration.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2010

The prior year audit report issued for the year ended September 30, 2009, included audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

9/2008 - 2 Finding: The City of Moss Point, Mississippi failed to accurately reconcile their cash accounts, due to/from accounts and transfers in/out accounts. The cash account reconciliation sheets have an unreconciled difference in many cases. The due to/from and transfer in/out do not net to zero which indicates that the full journal entry is not being entered.

Status: Issue unresolved.

9/2008 - 3 Finding: The City of Moss Point, Mississippi has a process where it 'cuts' manual checks. These checks do not have a sequential numbering process and in some cases have no check number at all. This presents an internal control issue in that if a check were fraudulently written using this manual check process, it would be difficult for anyone to discover.

Status: Issue has been resolved.

9/2009 - 1 Finding: The auditor discovered a lack of segregation in the tax collection department. The deputy clerk has the ability to change assessments, send bills and receive cash. There is also a lack of segregation when a clerk in accounting assists in the tax collection, then receives the cash, takes it to the bank, and reconciles the account.

Status: Issue unresolved.

9/2009 - 2 Finding: During the audit of utilities, it was noted that one significant commercial customer calls in their usage report instead of having a meter read, or submitting a report showing the usage. Incorrect readings amounted to a credit of approximately \$92,000 in the customer's account. We found no controls at the City to ensure the readings called in by the customer are correct.

Status: Issue has been resolved.

9/2009 - 3 Finding: Because of the limitations of the City's small office staff, there are not otherwise any controls in place that would provide for appropriate review of journal entries recorded or other significant transactions, or allow management or employees, in the normal course of performing their assigned duties, to prevent or detect misstatements in these financial statements in a timely manner. Additionally, the City relies on its external auditors to prepare the external financial statements and related disclosures. Under U.S. generally accepted auditing standards, external auditors cannot be considered part of its internal control over financial reporting.

Status: Issue unresolved.

CITY OF MOSS POINT, MISSISSIPPI
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2010

9/2009 - 4 Finding: The City has not established procedures to ensure that the Schedule of Federal Expenditures and Awards is accurate. As a result, it was necessary for the auditor to identify all federal grant expenditures to comply with OMB Circular A-133.

Status: Issue unresolved.

CORRECTIVE ACTION PLAN

9/2010 - 4

Schedule of Expenditures of Federal Awards (SEFA)

Procedures for Accuracy of SEFA Preparation

We concur with this finding. The City acknowledges the lack of processes in place to ensure an accurate SEFA is presented for audit. The City is aware of this issue and is in discussion of ways to rectify the situation. We are currently exploring the possibility of having an outside firm take control of this area.

The City is aware of the importance of presenting an accurate SEFA and will work diligently to correct this internal control deficiency.