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CITY OF BELZONI, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010**



LYLES AND SINCLAIR

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF BELZONI, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010**

CITY OF BELZONI
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CITY OF BELZONI

FINANCIAL SECTION



LYLES AND SINCLAIR

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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City Of Belzoni, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City Of Belzoni, 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'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.

As discussed in Note 1, the City of Belzoni, Mississippi prepares its financial statements on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, on our consideration of the City Of Belzoni, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City Of Belzoni, Mississippi, has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the

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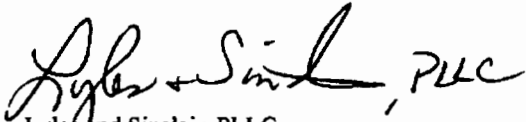
MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Of Belzoni, Mississippi's basic financial statements. 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 not a required part of the basic financial statements. Such information 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 other supplemental information section, which includes the Schedule of Investments, Schedule of Long-term Debt, and Schedule of Surety Bonds is presented for purposes of additional analysis as required by the Mississippi Office of the State Auditor and is not a required part of the basic financial statements. Such 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.


Lyles and Sinclair, PLLC
March 27, 2012



CITY OF BELZONI

FINANCIAL STATEMENTS

CITY OF BELZONI
Statement of Activities and Net Assets - Cash Basis
For the Year Ended 9/30/2010

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets			Component Units
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 483,695				(483,695)		(483,695)	
Public safety	940,692	50,616			(890,076)		(890,076)	
Public works	407,845			125,442	(282,403)		(282,403)	
Health and welfare	55,462			65,736	10,274		10,274	
Culture and recreation	11,625				(11,625)		(11,625)	
Economic development and assistance	33,950				(33,950)		(33,950)	
Interest on long-term debt	48,823				(48,823)		(48,823)	
Total Governmental Activities	1,982,092	50,616	0	191,178	(1,740,298)	0	(1,740,298)	0
Business-type Activities								
Water & Sewer	1,520,868	1,268,090		197,916		(54,862)	(54,862)	
Interest on long-term debt	35,460					(35,460)	(35,460)	
Total Business-type Activities	1,556,328	1,268,090	0	197,916	0	(90,322)	(90,322)	0
Total Primary Government	3,538,420	1,318,706	0	389,094	(1,740,298)	(90,322)	(1,830,620)	
Component Units:								
Culture and recreation	19,521							(19,521)
Economic development and assistance	163,114	9,870		119,177				(34,067)
Total Component Units	182,635	9,870	0	119,177	0	0	0	(53,588)
General receipts:								
Taxes:								
Ad valorem taxes					\$ 694,735		694,735	
Sales tax					533,708		533,708	
Franchise taxes					82,483		82,483	
Homestead Exemption Reimbursement					34,999		34,999	
Intergovernmental					94,236		94,236	
Licenses & Permits					7,331		7,331	
Contributions					1,610		1,610	
Unrestricted interest income					7,262	4,631	11,893	360
Miscellaneous					211,811	42,420	254,231	14,813
Transfers					(13,000)		(13,000)	13,000
Total General Receipts					1,655,175	47,051	1,702,226	28,173
Changes in Net Assets					(85,123)	(43,271)	(128,394)	(25,415)
Net Assets - Beginning					998,667	974,106	1,972,773	91,787
Net Assets - Ending					\$ 913,544	930,835	1,844,379	66,372

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

CITY OF BELZONI, MISSISSIPPI
Statement of Activities and Net Assets - Cash Basis
For the Year Ended 9/30/2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash	\$ 359,407	930,835	1,290,242	
Restricted cash	554,137		554,137	66,372
Total Assets	913,544	930,835	1,844,379	66,372
NET ASSETS				
Restricted:				
Expendable:				
Public safety	300,628		300,628	
Public works	66,975		66,975	
Culture and recreation			0	1,531
Economic development	103,033		103,033	64,841
Debt Service	83,501		83,501	
Unrestricted	359,407	930,835	1,290,242	
Total Net Assets	\$ 913,544	930,835	1,844,379	66,372

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



CITY OF BELZONI
Statement of Cash Basis Assets and Fund Balances and
Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances - Governmental and Business-type Funds
For the Year Ended September 30, 2010

	Governmental Activities			Business-type Activities	
	Major Funds			Total	Enterprise Fund
	General Fund	Economic Development Fund	Other Nonmajor Funds		
Receipts					
Taxes					
General Property Taxes	559,123		135,612	694,735	
Licenses and Permits	7,331			7,331	
Francise Taxes	82,483			82,483	
Intergovernmental Revenues:					
Grant-Health Initiative	556			556	
CDBG			191,178	191,178	
Mosquito grant	6,949			6,949	
Citizen's Alliance Health	500			500	
State Municipal Aid					197,916
State Shared Revenues:					
Sales Tax	533,708			533,708	
Homestead Exemptions	28,062		6,937	34,999	
Motor Vehicle Tax	8,870			8,870	
Alcohol Beverage License	4,050			4,050	
Grand Gulf Allocation	22,144			22,144	
Fire Insurance Premium Tax Distribution	14,504			14,504	
MDOT Reimbursements	6,827			6,827	
Big Truck Privilege Licenses	3,709			3,709	
Road and Bridge Taxes	26,127			26,127	
Fire Call Revenue	18,750			18,750	
Charges for Services					
Water, Sewer, and Garbage Fees					1,268,090
Fines and Forfeits	31,866			31,866	
Rents	131,714			131,714	
Miscellaneous	6,507			6,507	
Donations	1,610			1,610	
Interest Income	4,829	771	1,662	7,262	4,631
Recovery of Funds					4,423
Crime Stoppers	70			70	
Refunds and Sales	20,318			20,318	
Total Receipts	1,520,607	771	335,389	1,856,767	1,475,060



CITY OF BELZONI
Statement of Cash Basis Assets and Fund Balances and
Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances - Governmental and Business-type Funds
For the Year Ended September 30, 2010

	Governmental Activities			Business-type
	Major Funds			Activities
	General Fund	Economic Development Fund	Other Nonmajor Funds	Enterprise Fund
			Total	
Operating Disbursements:				
General Government	428,877			428,877
Public Safety				
Police	741,685			741,685
Fire	217,112			217,112
Inspection	35,934			35,934
Animal Control	4,023			4,023
Street Department	215,251		125,442	340,693
Culture & Recreation	11,625			11,625
Health & Welfare			55,462	55,462
Enterprises:				
Administrative				129,862
Sanitation Department				433,132
Water Department				320,217
Sewer Department				311,173
Economic Development		33,950		33,950
Redemption of Principal	20,660		80,000	100,660
Interest and fees	3,959		44,864	48,823
				35,460
Total Operating Disbursements	<u>1,679,126</u>	<u>33,950</u>	<u>305,768</u>	<u>2,018,844</u>
Excess of Receipts Over (Under) Disbursements	<u>(158,519)</u>	<u>(33,179)</u>	<u>29,621</u>	<u>(162,077)</u>
Other Cash Sources (Uses)				
Inception of Capital Lease	73,682			73,682
Transfers out to Component Units	(13,000)			(13,000)
Other Sources	48,702	4,500		53,202
Other Uses	(19,562)		(17,368)	(36,930)
Total Other Cash Sources (Uses)	<u>89,822</u>	<u>4,500</u>	<u>(17,368)</u>	<u>76,954</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	<u>(68,697)</u>	<u>(28,679)</u>	<u>12,253</u>	<u>(85,123)</u>
Cash Basis Fund Balance - Beginning of Year	<u>728,732</u>	<u>131,712</u>	<u>138,223</u>	<u>998,667</u>
Cash Basis Fund Balance - End of Year	<u>660,035</u>	<u>103,033</u>	<u>150,476</u>	<u>913,544</u>



City of Belzoni

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

(I) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

City of Belzoni is a political subdivision of the State of Mississippi. The City operates under a Mayor-Aldermen form of government and provides services authorized by its charter.

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

The City of Belzoni's major operations include public welfare and social services, street and sidewalk maintenance and general administrative services. In addition, a water and sewer system is operated by the City.

B. Basis of Presentation.

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Government-wide Financial Statements:

The government-wide financial statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The City combines the Statement of Activities and Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are reported when the cash is spent.

Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are reported when the cash is spent.

The City reports the following major Governmental Funds:

General Fund – This fund is used to account for all activities of the general government, except those required to be accounted for in another fund. Included in this category is the Fire Fund.

City of Belzoni

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

Economic Development Fund – This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund includes the disbursement of funds for street and sidewalk improvements and recreational facilities payable from the 2005 general obligation bond issue of \$1,400,000.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COMPONENT UNITS

The City's two component units include a municipal airport and a park commission.

Municipal Airport – The Belzoni Municipal Airport's Board is appointed by the Mayor and Aldermen of the City of Belzoni. Activities include payments associated with maintaining the airport, including utilities, maintenance, and insurance, and the collection of rents for the use of airport facilities. Also included are federal and state airport improvement grant proceeds and related disbursements.

Park Commission – The Mayor and Aldermen appoint commissioners to oversee the City's parks. The City additionally provides funding as needed to support park and recreational activities.

D. Deposits and Investments.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits and certificates of deposit. Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

E. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed as follows:

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions

City of Belzoni

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

or enabling legislation.

Unrestricted net assets - All other net assets are reported in this category.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

F. Property Tax Revenues.

The City uses the county tax roll for the assessment of its ad valorem tax. In September, property taxes are levied for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the next succeeding year. Taxes are delinquent after February 1 of the next succeeding year.

(2) Deposits and Investments.

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2010, was \$1,844,379 and the bank balance was \$1,929,870. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

Interest Rate Risk - The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

(3) Claims and Judgments.

Risk Financing.

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay any claim up to \$750,000 for police and fire fighters and \$500,000 on all others. For a claim exceeding \$750,000 for police and fire fighters and \$500,000 on all others, MMWCG has reinsurance. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

The City is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers liability claims against the City. Each member of the MMLP contributes to a

City of Belzoni

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

fund held in a trust account. The funds held in the trust account are used to pay claims of \$500,000 for torts and \$1,000,000 on federal claims. The City has not had an additional assessment for excess losses.

(4) Contingencies.

Federal Grants - The City of Belzoni has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No disallowances were recognized in the City's financial statements.

Litigation - The City is party to legal proceedings, many of which occur in the normal course of governmental operations. The City, through its legal counsel appealed a sexual harassment case to the Mississippi Supreme Court because the City contended the evidence didn't support the lower court's decision. The Mississippi Supreme Court upheld the Humphreys County Circuit Court's jury award of \$150,000 of which \$50,000 was attributed to the City.

(5) Defined Benefit Pension Plan.

Plan Description. City of Belzoni, 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 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$143,084, \$197,324, and \$182,478, respectively, equal to the required contributions for each year.

(6) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the City of Belzoni evaluated the activity of the City through March 23, 2012, (the date the financial statements were available to be issued).

CITY OF BELZONI

REQUIRED SUPPLEMENTAL INFORMATION



CITY OF BELZONI
 Budgetary Comparison Schedule -
 Budget and Actual
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 572,023	572,023	559,123	(12,900)
Licenses, commissions and other revenue	84,000	84,000	89,814	5,814
Fines and forfeitures	33,600	33,600	31,866	(1,734)
Intergovernmental revenues	832,810	832,810	656,006	(176,804)
Charges for services			18,750	18,750
Interest income	4,500	4,500	4,829	329
Miscellaneous revenues	133,651	133,651	144,686	11,035
Total Revenues	<u>1,660,584</u>	<u>1,660,584</u>	<u>1,505,074</u>	<u>(155,510)</u>
EXPENDITURES				
Current:				
General government	341,046	405,392	428,877	(23,485)
Public safety	1,254,561	1,190,216	1,018,333	171,883
Public works	243,596	243,596	220,291	23,305
Culture and recreation	15,500	15,500	11,625	3,875
Economic development and assistance	40,000	40,000		40,000
Conservation of natural resources				0
Redemption of Principal				0
Total Expenditures	<u>1,894,703</u>	<u>1,894,704</u>	<u>1,679,126</u>	<u>215,578</u>
Excess of Revenues over (under) Expenditures	<u>(234,119)</u>	<u>(234,120)</u>	<u>(174,052)</u>	<u>60,068</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Other Debt	73,692	73,692	73,682	(10)
Compensation from Sale of Capital Assets			15,533	15,533
Transfers out to component unit	(20,000)	(20,000)	(13,000)	7,000
Other Sources			48,702	48,702
Other Uses			(19,562)	(19,562)
Total Other Financing Sources and Uses	<u>53,692</u>	<u>53,692</u>	<u>105,355</u>	<u>51,663</u>
Net Change in Fund Balance	(180,427)	(180,428)	(68,697)	111,731
Fund Balances - Beginning	680,521	680,521	728,732	48,211
Fund Balances - Ending	<u>\$ 500,094</u>	<u>500,093</u>	<u>660,035</u>	<u>159,942</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF BELZONI
 Budgetary Comparison Schedule -
 Budget and Actual
 Economic Development Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes				0
Interest income	1,000	1,000	777	(223)
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>777</u>	<u>(223)</u>
EXPENDITURES				
Current:				
Economic Development			24,950	(24,950)
				0
Total Expenditures	<u>0</u>	<u>0</u>	<u>24,950</u>	<u>(24,950)</u>
Excess of Revenues over (under) Expenditures	<u>1,000</u>	<u>1,000</u>	<u>(24,173)</u>	<u>(25,173)</u>
OTHER FINANCING SOURCES (USES)				
				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	1,000	1,000	(24,173)	(25,173)
Fund Balances, Beginning - Cash Basis	122,958	122,958	89,146	(33,812)
Fund Balances, Ending - Cash Basis	<u>\$ 123,958</u>	<u>123,958</u>	<u>64,973</u>	<u>(58,985)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF BELZONI

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget. The City's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP Basis) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and Economic Development Fund.

C. Budget Reconciliation.

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.



CITY OF BELZONI

SUPPLEMENTAL INFORMATION



CITY OF BELZONI
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Housing and Urban Development Passed through the MS Development Authority HOME Investment Partnerships Program	14.239	1219-M07-SG-280-151	55,462
U. S. Department of Housing and Urban Development Passed through the MS Development Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)*	14.255	0008-08-117-PFR-01	125,442
U. S. Department of Transportation Direct Program Airport Improvement Program	20.106	AIP-3-28-0007-011-2010	140,567
U. S. Department of Environmental Protection Agency Passed through the MS Department of Health Capitalization Grants for Drinking Water State Revolving Funds*	66.468	DWI-L270001-20-0	197,916
U.S. Department of Health & Human Services Passed through the MS Department of Health Centers for Disease Control & Prevention_ Investigations & Technical Assistance	93.283	SU50DP001811-02	556
Research, treatment & Education Programs on Lyme Disease in the U.S.	93.942		6,949
Total Expenditures of Federal Awards			<u>\$ 526,892</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified 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 preparation of the basic financial statements that are prepared on the basis of cash receipts and disbursements.

* Denotes major federal award program.



CITY OF BELZONI

OTHER SUPPLEMENTAL INFORMATION



CITY OF BELZONI

Schedule of Investments
For the Year Ended September 30, 2010

<u>OWNERSHIP</u>	<u>TYPE OF INVESTMENT</u>	<u>INTEREST RATE</u>	<u>ACQUISITION DATE</u>	<u>MATURITY DATE</u>	<u>OTHER INFORMATION</u>	<u>INVESTMENT COST/VALUE</u>
Fire Fund	Certificate of Deposit	1.146%			Guaranty Bank & Trust	<u>\$211,079</u>



CITY OF BELZONI

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

	Balance Outstanding Oct. 1, 2009	Transactions Fiscal Issued	During Year Redeemed	Balance Sept. 30, 2010
Governmental Activities:				
General obligation bonds	\$ 1,150,000		80,000	1,070,000
Capital improvements Issue – Series 2005; original issue amount of \$1,400,000; issued on June 1, 2005; maturity date of June 1, 2020; subject to early redemption on or after June 1, 2015; interest rates from 3.75% to 5%. Bonds were issued for the purpose of street and sidewalk improvements and for recreational facilities.				
Note payable	5,040		5,040	0
John Deere Credit Corporation – Purchase of a John Deere Z830A 60" Model Z Mower payable in twelve Monthly installments of \$737.25 including interest at 6.9%; final payment due April 2010.				
Capital leases	0	73,682	15,620	58,062
Trustmark National Bank - Lease purchase agreement For two cars and a truck; issued on January 15, 2010; interest rate of 4.0%; Maturity date of January 15, 2013.				
Total Governmental Activities	<u>\$ 1,155,040</u>	<u>73,682</u>	<u>100,660</u>	<u>1,128,062</u>
Business-type Activities:				
Note payable	\$ 15,520		7,760	7,760
John Deere Credit Corporation – Purchase of a John Deere 310G loader backhoe (net of rentals applied of \$36,720); payable in thirty-six monthly installments of approximately \$646.66; interest rate of 0%; final payment due September 20, 2011.				
Revolving Fund Loans Payable				
SRF loan number SRF-C280856012 in amount of \$805,264 dated August 27, 1997; payable in 237 monthly installments of \$5,134.33 including interest at 4.5%; final payment due May 1, 2019; paid via deductions from the City's sales tax reimbursements.	482,228		40,745	441,483
SRF loan number SRF-C280856020 in amount of \$481,659 dated January 20, 2002; payable in 236 monthly installments of \$2,413.72 including interest at 1.75%; final payment due May 1, 2023; paid via deductions from the City's sales tax reimbursements.	351,844		22,991	328,853
SRF loan number SRF-C280856030 in amount of \$522,286; payable in 236 monthly installments of				



CITY OF BELZONI

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

	Balance Outstanding Oct. 1, 2009	Transactions Fiscal Issued	During Year Redeemed	Balance Sept. 30, 2010
\$2,678.59 including interest at 2.0% beginning March 27, 2006; final payment due October 27, 2025; paid via Deductions from the City's sales tax reimbursements.	441,753		23,523	418,230
Drinking Water State Revolving Fund – Dated 10/27/2009 in the amount of \$347,884 (less principal forgiveness of \$353,080 and including interest of \$7,369 at 1.95%); maturity date of January 1, 2031; purpose of the loan was for water system improvements; loan funds disbursed as project progressed		197,916		197,916
Total Business-type Activities	<u>1,291,345</u>	<u>197,916</u>	<u>95,019</u>	<u>1,394,242</u>
Total	<u>\$ 2,446,385</u>	<u>271,598</u>	<u>195,679</u>	<u>2,522,304</u>



CITY OF BELZONI
Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2010

<u>Name</u>	<u>Position</u>	<u>Bond*</u>
Wardell Walton	Mayor	\$ 50,000
Allen Farmer	Alderman	\$ 50,000
Popoola Hooper	Alderman	\$ 50,000
Johnny Page	Alderman	\$ 50,000
Margaret Hooper-Parker	Alderwoman	\$ 50,000
Charles Thurman, Jr.	Alderman	\$ 50,000
Delores Harris	City Clerk	\$ 50,000
Latosha Seals	Assistant Clerk	\$ 50,000
Mickey Foxworth	Police Chief	\$ 50,000
Dorothy Elder	Court Clerk	\$ 50,000

*All positions are covered by Travelers Casualty and Surety Co.



CITY OF BELZONI
 Combining Statement of Activities and Net Assets - Cash Basis Component Units
 For the Year Ended 9/30/2010

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		Total
					Park Commission	Municipal Airport	
Culture and recreation	\$ 19,521				(19,521)		(19,521)
Economic development and assistance	163,114	9,870		119,177		(34,067)	(34,067)
Total Component Units	182,635	9,870	0	119,177	(19,521)	(34,067)	(53,588)
General receipts:							
Unrestricted interest income				\$ 9	351		360
Miscellaneous				5,402	9,411		14,813
Transfers				13,000			13,000
Total General Receipts				18,411	9,762		28,173
Changes in Net Assets				(1,110)	(24,305)		(25,415)
Net Assets - Beginning				2,641	89,146		91,787
Net Assets - Ending				\$ 1,531	64,841		66,372

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

CITY OF BELZONI, MISSISSIPPI
 Combining Statement of Activities and Net Assets - Cash Basis Component Units
 For the Year Ended 9/30/2010

	<u>Component Units</u>		
	<u>Park Commission</u>	<u>Municipal Airport</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,531	64,841	66,372
 Total Assets	<u>1,531</u>	<u>64,841</u>	<u>66,372</u>
 NET ASSETS			
Restricted:			
Expendable:			
 Unrestricted	1,531	64,841	66,372
 Total Net Assets	<u>\$ 1,531</u>	<u>64,841</u>	<u>66,372</u>

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



CITY OF BELZONI

SPECIAL REPORTS





LYLES AND SINCLAIR

(601) 981-5707

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MBA
TRACEY SINCLAIR, CPA
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
City Of Belzoni, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City Of Belzoni, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the city's basic financial statements and have issued our report thereon dated March 27, 2012. 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 Belzoni, 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 Belzoni's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 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 city'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 as 10-1, 10-2, and 10-3 to be material weaknesses.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belzoni, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of the City Of Belzoni, Mississippi, in the Independent auditor's Report on Compliance with State Laws and Regulations dated March 27, 2012, included within this document.

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MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

The City Of Belzoni's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City Of Belzoni's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the 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. However, this report is a matter of public record and its distribution is not limited.



Lyles and Sinclair, PLLC
March 27, 2012



LYLES AND SINCLAIR

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CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen
City of Belzoni, Mississippi

Compliance

We have audited the City of Belzoni, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The City of Belzoni, 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 Belzoni, Mississippi's management. Our responsibility is to express an opinion on the City of Belzoni, 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 Belzoni, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Belzoni, Mississippi's compliance with those requirements.

In our opinion, the City of Belzoni, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control over Compliance

Management of the City of Belzoni, 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 Belzoni, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 the city's internal control over compliance.

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be

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MEMBER:

American Institute of CPA's and Mississippi Society of CPA's



material weaknesses, as defined above.

This report is intended solely for the information and use of management, the 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. However, this report is a matter of public record and its distribution is not limited.

Lyles + Sinclair, PLLC
Lyles and Sinclair, PLLC
March 27, 2012



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MARY LYLES, CPA, MPA

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

TRACEY SINCLAIR, CPA

Mayor and Board of Aldermen
City of Belzoni, Mississippi

We have audited the financial statements of the City of Belzoni, Mississippi, as of and for the year ended September 30, 2010, and have issued our report dated March 27, 2012. 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*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have 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 Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The results of those procedures and our audit of the basic financial statements disclosed the following immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

While performing testwork on the Municipal Compliance Questionnaire, we noted the following responses which indicate noncompliance:

- The City did not determine the full and complete cost for solid waste
- The City did not publish an itemized report for the operation of the garbage collection or disposal system
- The City did not conduct an annual inventory of its assets

In addition, the City did not include a Schedule of Capital Assets in the audit report.

Section 17-17-347 and Section 17-17-348, Miss. Code Ann. (1972), require calculations and reports on the solid waste operations. The Mississippi Municipal Audit and Accounting Guide prescribes the procedures to be followed for conducting the annual inventory of assets and the schedules that should be included in the audit report. Section 21-35-5, Miss. Code Ann. (1972), requires the governing authority of each municipality to hold at least one public hearing prior to the adoption of the budget. The public hearing shall be held at least one week prior to the adoption of the budget. These instances result in noncompliance with state law and prescribed policies and procedures. In addition, failure to conduct the annual inventory could result in the misappropriation of assets.

Recommendation

We recommend the client develop and implement procedures to ensure compliance with state law and prescribed policies and procedures outlined in the Mississippi Municipal Audit and Accounting Guide.

City's Response

We partially concur. We should have prepared a schedule of the cost for solid waste for publication in the newspaper and, as noted in Finding 10-4 (elsewhere in this report), we did not maintain a subsidiary schedule of fixed assets. We hope to have these findings corrected by the time we close our books at September 30, 2012.



2. Finding

During our audit of expenditures, we noted the following:

- There were instances where the purchase order was dated after the invoice date or where there was no invoice.
- A check was written for more than the total of the invoices supporting the payment.
- There were no bids obtained for the lease purchase of vehicles.

Title 31, Chapter 7, Miss. Code Ann. (1972), describes required purchasing procedures. In addition, an effective system of internal control requires that procedures are in place to ensure that checks are not written for unauthorized amounts. This results in noncompliance with state law and an overpayment to a vendor that was not recouped.

Recommendation

We recommend that the required procedures be followed to ensure compliance with state law and that all purchasing documents are properly prepared and maintained. Procedures should be implemented to ensure that the City only: pays for items actually received; pays the actual amount owed; and includes items in the proper accounting period. In addition, the City should request a refund of the overpayment from the vendor.

City's Response

We concur. We will remind all employees, those responsible for issuing purchase orders and the department heads and other employees who have the authority to make a purchase, that purchase orders must be obtained prior to making a purchase and to ensure that those employees with the authority to purchase items not split invoices to circumvent the need to obtain a purchase order. We will take steps to ensure that all invoices supporting a payment are attached to the duplicate check in our paid invoice file. We will comply with state purchasing laws, including documenting the bids and quotes received, including bids for leases.

3. Finding

The City advertised for bank depositories as required by law and only one bid was received. The City transferred most of its accounts to the successful bidder; however, some accounts were not transferred. Section 27-105-303 and Section 27-105-353, Miss. Code Ann. (1972), require the City to obtain bids or proposals from financial institutions for the privilege of keeping the City's funds. Failure to transfer all accounts to the bank with the successful bid results in noncompliance with state law.

Recommendation


We recommend that the City develop and implement procedures to ensure compliance with state law.

City's Response

We concur. We transferred the majority of our funds to the successful bidder, but we left some accounts open so that outstanding checks and drafts could clear. We failed to go back and transfer the remaining balances after all checks and drafts cleared to the new bank accounts. We are in the process of bidding for depositories again, and we will ensure that all funds (other than those needed to cover outstanding or pending items) will be transferred.

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

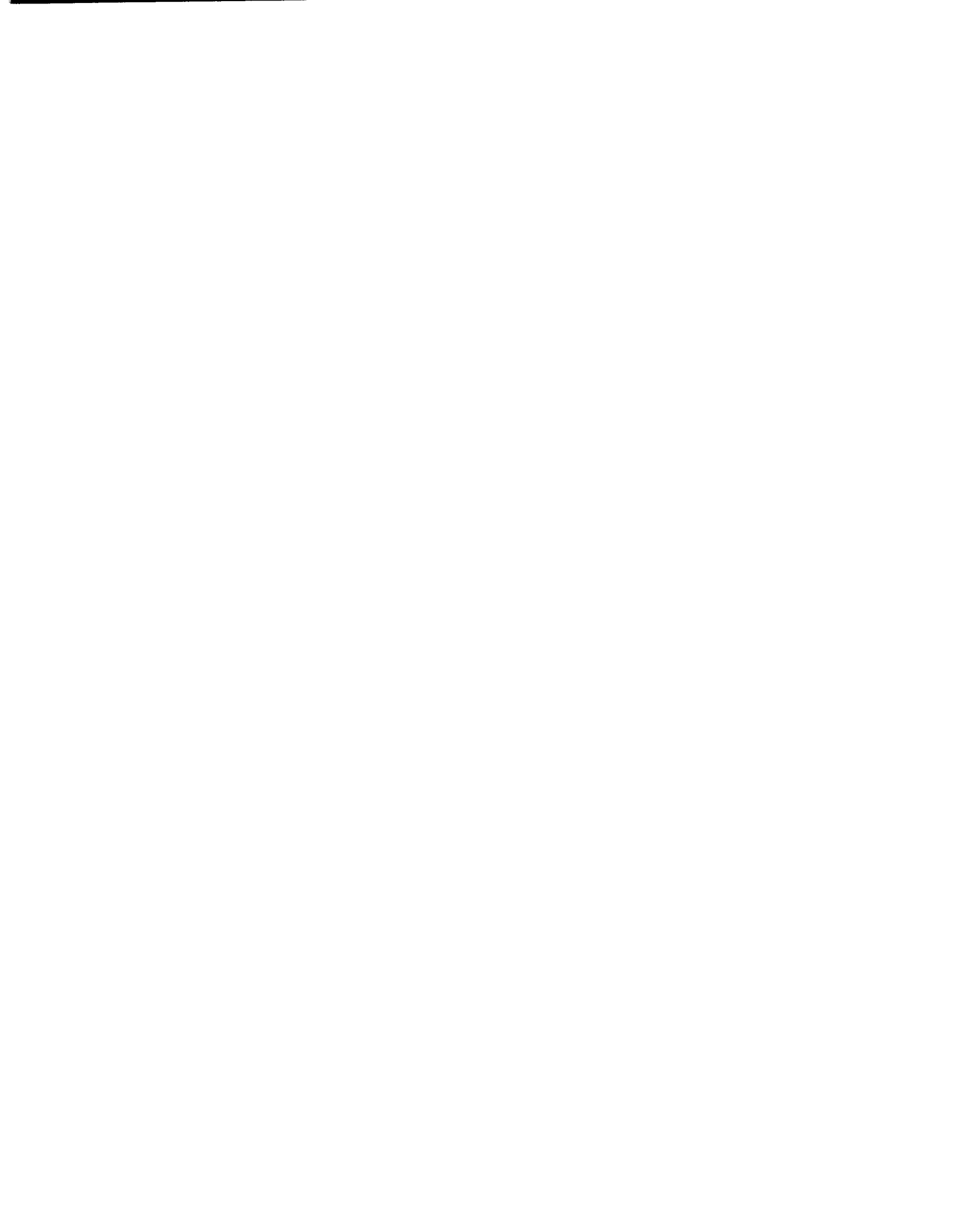
This report is intended solely for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.


Lyles and Sinclair, PLLC
March 27, 2012



CITY OF BELZONI, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CITY OF BELZONI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
General fund	Unqualified
Economic Development Fund	Unqualified
Aggregate remaining fund information	Unqualified
Aggregate discretely presented component units	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 noted? No

Federal Awards:

4. Internal control over major programs:

a. Material weakness identified?	No
b. Significant deficiency identified that is not considered to be a material weakness?	None Reported

5. Type of auditor's report issued on compliance for major federal programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of Circular A-133? No

7. Federal programs identified as major programs:

- a. Community Development Block Grants/State's Program & Non-Entitlement Grants in Hawaii (Recovery Act Funded), CFDA #14.228
- b. Capitalization Grants for Drinking Water State Revolving Funds (Recovery Act Funded), CFDA #66.468

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 cost 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? No

CITY OF BELZONI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Significant Deficiency – Material Weaknesses

10-1. Finding

As part of the audit, the city requested the auditors to prepare the draft financial statements, related notes, and schedule of expenditures of federal awards. An effective system of internal control over financial reporting should ensure that personnel of the entity prepare the financial statements, related notes, and schedule of expenditures of federal awards. Management accepted responsibility for the financial statements prior to their issuance. The lack of the City's preparation of the financial statements increases the risk of inadequate information being reported.

Recommendation

We recommend the City implement controls to ensure that personnel prepare the financial statements, related notes, and schedule of expenditures of federal awards.

City's Response

The City relies on the *Municipal Audit and Accounting Guide* to maintain accounts and funds needed to record the City's transactions using the cash basis of accounting (required by the Office of the State Auditor under authority given to it by Mississippi law). Further, the City has purchased and uses BBI software to generate cash basis financial statements, including a Balance Sheet and a Statement of Revenues and Expenses with Budgetary Comparison figures. Because the state requires that we adopt a cash basis budget by fund and department, we maintain our financial records to facilitate preparing financial documents showing budget and actual comparisons required to submit to the City's Board of Aldermen in making decisions, particularly for approving the claims docket. Our current software is not capable of generating a complete set of financials. We did prepare for submission to some state agencies a listing of federal expenditures. The City has historically relied upon its auditors to convert our financial records to a format used for audit purposes and to prepare the Notes to the Financial Statements and the Schedule of Expenditures of Federal Awards, although we accept full responsibility for those documents.

Significant Deficiency – Material Weaknesses

10-2. Finding

The City does not have an up to date policies and procedures manual. An effective system of internal control over financial reporting should include a proper manual of accounting policies and procedures. The lack of a complete policies and procedures manual results in weakened internal controls and may have contributed to the misappropriation of assets or to the misappropriation not being prevented or detected in a timely manner by management.

Recommendation

We recommend that the City develop a comprehensive accounting policies and procedures manual. The manual should include prescribed policies and procedures of the Mississippi Municipal Audit and Accounting Guide. In addition, management should include monitoring procedures to ensure that the processes are adequate, are being performed, and to determine if there are more effective and efficient ways to perform these processes.

City's Response

The only misappropriation that occurred in the year under audit was discovered by the City Clerk while reconciling customer deposits and the discovery occurred not long after the misappropriation occurred. The City has policies in place to ensure that each clerk works out of her own drawer, access to which is restricted to that clerk via the use of locks and keys, making daily deposits, bonding employees, reconciling accounts, and limiting access to certain computer applications to just those



CITY OF BELZONI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

employees with a need-to-know basis, among others. We may not have committed our policies into writing, but each clerk is trained and versed in these policies and procedures.

Significant Deficiency – Material Weaknesses

10-3. Finding

While performing testwork on payroll, we noted the client was unable to locate source documents to support the number of hours paid to employees during our audit year. Also, in reviewing the personnel files, we noted an employee's file that had blank forms but no signature for authorization of a deduction for dental coverage and another employee's file that contained no written documentation of the authorized pay rate. An effective system of internal control should ensure that all transactions are properly supported and recorded in the financial records. There is no clear audit trail or corroborating evidence of the payroll expenses paid to employees without proper support and the City may also be in violation of the state records retention policies. Withholding amounts may be unauthorized and requested to be repaid to the employee. Further, the authorized pay rate for all city employees was not properly documented.

Recommendation

We recommend the City develop and implement procedures to ascertain that all records for amounts paid to employees are properly maintained for the required time period. In addition, proper support should be maintained for all withholdings from the employee's check and all authorized pay rates for employees.

City's Response

We partially concur. The payroll clerk misplaced certain time cards and has been unable to locate them, despite a diligent search. We will ensure that all forms authorizing deductions from employees' paychecks contain the required signatures. During our budget process, the Mayor and Board of Aldermen determine if raises will be granted to employees. In this process, a detailed listing by individual employee is made with the employee's current pay rate and the new pay rate that will take effect on October 1. These records are presented to the Mayor and each Alderman in connection with the budget process. Those records are on file in the City Clerk's office.

Significant Deficiency

10-4. Finding

Section 21-17-5, Miss. Code Ann. (1972), makes municipalities responsible for custody of its assets. In addition, the Mississippi Accounting and Audit Guide prescribes procedures for maintaining capital asset records. Also, an effective system of internal control over financial reporting requires subsidiary records to be properly updated and assets to be properly safeguarded. Capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The cause for these issues is not known. Failure to update the subsidiary records accurately results in the capital assets being misstated.

Recommendation

We recommend that the City properly record capital assets in the subsidiary records.

City's Response

We concur. We will implement procedures to maintain a fixed assets subsidiary ledger, including purchasing fixed assets software.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

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