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**Town of Renova**  
City Hall  
5 Second Street, Renova, Mississippi 38732


February 6, 2008

Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the Town of Renova, Mississippi for the fiscal year ended September 30, 2006. A separate management letter was not written to the town in connection with this audit.

Very truly yours,

  
Maurice F. Lucas  
Mayor

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STATE AUDITOR'S OFFICE

**TOWN OF RENOVA, MISSISSIPPI**

**Financial Statements**

**For the Fiscal Year Ended September 30, 2006**

RECEIVED  
FEB 2008  
TOWN CLERK'S OFFICE

TOWN OF RENOVA, MISSISSIPPI

**Financial Statements**

**For the Fiscal Year Ended September 30, 2006**

**TOWN OF RENOVA, MISSISSIPPI**  
**Financial Statements**  
**For the Fiscal Year Ended September 30, 2006**

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FOUNDER (1921-1995)  
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FOUNDER (1949-1998)

## EDMONDSON & BURCHFIELD, PLLC

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
Town of Renova  
Renova, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business – type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Renova, Mississippi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 governmental activities, the business-type activities and each major fund of the Town of Renova, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 December 20, 2007 on our consideration of the Town of Renova's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 21-23, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 information and express no opinion on it.

The Town of Renova, Mississippi has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Town of Renova, Mississippi's basic financial statements. The financial information listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Town of Renova, Mississippi. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Edmondson & Birchfield, PLLC*

Cleveland, Mississippi  
December 20, 2007

**Town of Renova, Mississippi**  
**Statement of Net Assets**  
**September 30, 2006**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 105,838.08	\$ 33,416.32	\$ 139,254.40
Investments			
Restricted	-	23,988.00	23,988.00
Other	-	8,694.91	8,694.91
Receivables(net)	108,043.03	6,285.44	114,328.47
Due from other funds	-	2,500.00	2,500.00
Capital assets			
Land	44,000.00	-	44,000.00
Other capital assets, net of depreciation	2,615.01	978,764.23	981,379.24
<b>Total assets</b>	<b>\$ 260,496.12</b>	<b>\$ 1,053,648.90</b>	<b>\$ 1,314,145.02</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	39,953.69	8,359.15	48,312.84
Accrued interest payable	-	486.94	486.94
Customer deposits	-	8,613.00	8,613.00
Deferred revenue	60,638.73	-	60,638.73
Due to other funds	2,500.00	-	2,500.00
Long-term liabilities			-
Due within one year	-	15,626.33	15,626.33
Due in more than one year	-	86,358.10	86,358.10
<b>Total liabilities</b>	<b>103,092.42</b>	<b>119,443.52</b>	<b>222,535.94</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	46,615.01	876,779.80	923,394.81
Restricted for:			
Fire protection	7,512.11	-	7,512.11
Revenue bond retirement	-	23,988.00	23,988.00
Unrestricted	103,276.58	33,437.58	136,714.16
<b>Total net assets</b>	<b>\$ 157,403.70</b>	<b>\$ 934,205.38</b>	<b>\$ 1,091,609.08</b>

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2006**

	Program Revenues			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
<b>Functions/Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 96,319.01	\$ -	\$ -	\$ (95,519.82)	-	\$ (95,519.82)
Public safety	3,168.21	-	-	(3,168.21)	-	(3,168.21)
Public works	21,402.14	-	-	(21,402.14)	-	(21,402.14)
Public housing	132,959.62	132,958.62	-	(1.00)	-	(1.00)
Culture and recreation	755.00	-	-	(755.00)	-	(755.00)
Total governmental activities	<u>254,603.98</u>	<u>132,958.62</u>	<u>-</u>	<u>(120,846.17)</u>	<u>-</u>	<u>(120,846.17)</u>
Business-type activities:						
Water & sewer	181,064.89	164,963.09	155,525.00	-	139,423.20	139,423.20
Total business-type activities	<u>181,064.89</u>	<u>164,963.09</u>	<u>155,525.00</u>	<u>-</u>	<u>139,423.20</u>	<u>139,423.20</u>
Total primary government	<u>\$ 435,668.87</u>	<u>\$ 132,958.62</u>	<u>\$ 155,525.00</u>	<u>(120,846.17)</u>	<u>139,423.20</u>	<u>18,577.03</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				68,397.63	-	68,397.63
Franchise taxes				16,863.47	-	16,863.47
Intergovernmental revenues				39,676.34	-	39,676.34
Interest				951.27	1,113.82	2,065.09
Transfers				(850.00)	850.00	-
Miscellaneous				200.00	-	200.00
Total general revenues and transfers				<u>125,238.71</u>	<u>1,963.82</u>	<u>127,202.53</u>
Change in net assets				4,392.54	141,387.02	145,779.56
Net assets-beginning				159,924.36	792,818.36	952,742.72
Prior period adjustment				(6,913.20)	-	(6,913.20)
Net assets-ending				<u>\$ 157,403.70</u>	<u>\$ 934,205.38</u>	<u>\$ 1,091,609.08</u>

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2006**

	General	Special Revenue	Total Governmental Funds
<b>Assets</b>			
Cash and other deposits	\$ 98,325.97	\$ 7,512.11	\$ 105,838.08
Receivables			
Taxes	71,465.67	-	71,465.67
Allowance for uncollectibles	(5,065.00)	-	(5,065.00)
Franchise Fees	3,642.36	-	3,642.36
Intergovernmental	-	38,000.00	38,000.00
Total assets	\$ 168,369.00	\$ 45,512.11	\$ 213,881.11
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,953.69	\$ 38,000.00	\$ 39,953.69
Due to other funds	2,500.00		2,500.00
Deferred revenue	60,638.73	-	60,638.73
Total liabilities	65,092.42	38,000.00	103,092.42
 Fund balance			
Unreserved, undesignated	103,276.58	7,512.11	110,788.69
Total equity and other credits	103,276.58	7,512.11	110,788.69
Total liabilities, equity, and other credits	\$ 168,369.00	\$ 45,512.11	
 Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			46,615.01
Net assets of governmental activities			\$ 157,403.70

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended September 30, 2006**

	General	Special Revenue	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 68,397.63	\$ -	\$ 68,397.63
Licenses and permits	16,427.16	-	16,427.16
Intergovernmental	36,508.13	136,126.83	172,634.96
Interest earned	909.31	41.96	951.27
Miscellaneous	200.00	-	200.00
Total revenues	<u>122,442.23</u>	<u>136,168.79</u>	<u>258,611.02</u>
<b>Expenditures:</b>			
Current:			
General government	95,823.03	-	95,823.03
Public safety	-	3,168.21	3,168.21
Recreation	755.00	-	755.00
Public works	21,402.14	-	21,402.14
Other	-	132,959.62	132,959.62
Total expenditures	<u>117,980.17</u>	<u>136,127.83</u>	<u>254,108.00</u>
Excess(deficiency) of revenues over(under) expenditures	<u>4,462.06</u>	<u>40.96</u>	<u>4,503.02</u>
Other financing sources (uses)			
Operating transfers in	-	1.00	1.00
Operating transfers out	(851.00)	-	(851.00)
Total other financing sources (uses)	<u>(851.00)</u>	<u>1.00</u>	<u>(850.00)</u>
Net change in fund balances	3,611.06	41.96	3,653.02
Fund balance, October 1	<u>99,665.52</u>	<u>7,470.15</u>	<u>107,135.67</u>
Fund balance, September 30	<u>\$ 103,276.58</u>	<u>\$ 7,512.11</u>	<u>\$ 110,788.69</u>

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2006**

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Net changes in fund balances - total governmental funds \$ 3,653.02

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. The amount by which capital outlays (\$1,478.35) exceeded depreciation (\$738.83) in the current period.

739.52

Change in net assets of governmental activities

\$ 4,392.54

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2006**

	<u>Water and Sewer Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and other deposits	\$ 33,416.32
Investments	8,694.91
Restricted investments	23,988.00
Receivables, net	6,285.44
Due from other funds	2,500.00
Other receivables	-
Total current assets	<u>74,884.67</u>
Noncurrent assets:	
Capital assets	
Property and equipment	1,636,965.01
Less accumulated depreciation	<u>(658,200.78)</u>
Total noncurrent assets	<u>978,764.23</u>
Total assets	<u><u>\$ 1,053,648.90</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 8,359.15
Interest payable	486.94
Customer deposits	8,613.00
Bonds payable	<u>15,626.33</u>
Total current liabilities	<u>33,085.42</u>
Noncurrent liabilities:	
Bonds payable	<u>86,358.10</u>
Total noncurrent liabilities	<u>86,358.10</u>
Total liabilities	<u>119,443.52</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	876,779.90
Restricted for revenue bond retirement	23,988.00
Unrestricted	<u>33,437.48</u>
Total net assets	<u><u>\$ 934,205.38</u></u>

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended September 30, 2006**

	Water and Sewer Enterprise Fund
<b>Operating revenues:</b>	
Charges for sales and services	\$ 164,963.09
<b>Operating expenses:</b>	
Personal services	24,008.38
Supplies	10,416.09
Other services and charges	100,015.20
Depreciation	39,500.13
Total operating expense	173,939.80
Operating income (loss)	(8,976.71)
<b>Non-operating revenues (expenses)</b>	
Interest revenue	1,113.82
Interest expense	(7,125.09)
Total non-operating revenues (expenses)	(6,011.27)
Net income (loss) before contributions and transfers	(14,987.98)
Capital contributions	155,525.00
Transfers in	850.00
Change in net assets	141,387.02
<b>Total net assets, October 1</b>	792,818.36
<b>Total net assets, September 30</b>	\$ 934,205.38

The accompanying notes are an integral part of the financial statements.

**Town of Renova, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended September 30, 2006**

	Water and Sewer Enterprise Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 165,628.95
Payments to suppliers	(114,827.14)
Payments to employees	(24,008.38)
Net cash provided by operating activities	\$ 26,793.43
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Repayments of debt	(14,795.90)
Capital Grant proceeds	192,670.00
Purchase of fixed assets	(192,670.00)
Interest paid on long-term debt	(7,183.66)
Net Cash Used for Capital and Related Financing Activities	(21,979.56)
<b>Cash Flows from Investing Activities</b>	
Purchase of certificate of deposit	(747.40)
Interest earned on operating funds	1,113.82
Net Cash Provided (Used) by Investing Activities	366.42
Net increase (decrease) in Cash and Cash Equivalents	5,180.29
Cash and Cash Equivalents, October 1	28,236.03
Cash and Cash Equivalents, September 30	\$ 33,416.32
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (8,976.71)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,500.13
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	39,233.83
(Increase) decrease in other receivables	(1,677.97)
Increase (decrease) in accounts payable	(41,540.85)
Increase (decrease) in water deposits	255.00
Net Cash Provided by Operating Activities	\$ 26,793.43

The accompanying notes are an integral part of the financial statements.

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 1 Summary of Significant Accounting Policies**

**Reporting Entity**

The accompanying financial statements present the activities of the Town of Renova (the Town). The Town has no component units for which it is financially accountable.

**Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other expenses are classified as non-operating in the financial statements.

The Town reports the following major governmental funds:

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

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific expenditure purposes.

The Town reports the following major enterprise fund:

*Water & Sewer Enterprise Fund* – This fund accounts for the operation and maintenance of the Town's water and sewer system.

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 1 Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**Assets, Liabilities, and Net Assets**

**Deposits and Investments**

The Town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the state of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by state laws. The Town has no additional formally adopted investment policies.

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits. These certificates are considered nonparticipating investment contracts and are carried at cost.

**Cash and Cash Equivalents**

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

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 1 Summary of Significant Accounting Policies (continued)**

Cash consists of amounts on deposit in demand accounts and savings accounts. Other deposits consist of certificates of deposit. Cash and other deposits are valued at cost.

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by any successors to such insurance corporations.

For the purposes of the statement of cash flows, the Town considers certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired.

**Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**Property Tax Calendar**

Property taxes attach an enforceable lien on the property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. The Town bills and collects its own property taxes except for the personal auto taxes that are collected and remitted to the Town by the Bolivar County Tax Collector. The millage rate for the Town for 2005 taxes was 32 mills. The entire millage was allocated to the general fund. The distribution of taxes to funds was in accordance with prescribed tax levies, and uncollected taxes were properly handled.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not reported in the financial statements since the Town has adopted the option not to record these assets per the provisions of GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight line method over the following useful estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building improvements	20
Office Equipment	5
Other Equipment	5
Water & Sewer System	20-40

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and proprietary funds. All annual appropriations lapse at fiscal year end. The Mississippi Code Ann. (1972) prescribes cash basis reporting of revenue for budgets and budgeting of expenditures to be disbursed within thirty days after year end.

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 1 Summary of Significant Accounting Policies (continued)**

**Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**Restricted Assets**

Certain resources set aside for repayment of enterprise revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "Bond Cushion" account is used to pay maturing principal and accruing interest, or both, only whenever and to the extent that funds otherwise provided are insufficient for that purpose. No funds paid into the cushion fund shall be used to prepay the principal unless such prepayment is for the balance of the principal amount of the bond.

The "Bond Depreciation" account is used for the purpose of paying the cost of replacing such parts of the Water and Sewer System as may need replacement in order to keep the system operating in an economical and efficient manner; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Depreciation fund can be used to pay such accruing interest and to provide for the payment of principal. The "Bond Contingent" account is used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the Water and Sewer System including the construction of reasonable and proper improvements, betterments and extensions; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Contingent fund can be used to pay such accruing interest and to provide for the payment of principal.

**Compensated Absences**

The Town does not provide paid vacation or sick leave.

**Fund Reserves**

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations.

Contributed capital is recorded in the proprietary fund which has received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of retained earnings not appropriate for expenditure or legally segregated for a specific future use.

**Note 2 Legal Compliance – Budget**

Prior to August 1, the Mayor or Town Clerk submits to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at Town Hall to obtain taxpayer comments. Prior to September 15, the budget is legally enacted through adoption by the Board of Aldermen. Any revisions that alter the total expenditures of the budget are amended by the Board of Aldermen.

The budget is presented on a basis consistent with generally accepted accounting principles (GAAP), which is a departure from the requirements of the Mississippi Code Ann. (1972) as described in Note 1.

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 3 Cash and Other Deposits**

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank's failure, the Town's deposits may not be returned. Since the Town's deposits are fully covered by deposit insurance, custodial credit risk is considered to be minimal.

As of September 30, 2006, the carrying amount of the Town's bank deposits was \$171,937.31 and the respective bank balances totaled \$171,937.31. All the bank balance was insured through federal depository insurance.

**Note 4 Fair Value of Investments**

The Town's investments consist of a certificate of deposit. This certificate is considered to be a nonparticipating investment contract and is reported at cost. Due to the relatively short maturity of this financial instrument, cost is considered to approximate market value. This certificate of deposit, carried at cost of \$32,682.91, is insured and is reported in the Enterprise Fund.

**Note 5 Receivables**

**Enterprise Receivables and Uncollectible Accounts**

Significant receivables include amounts due from customers primarily for utility services and are due the month after billing. The allowance amount is estimated using accounts receivable past due and collection experience.

Water accounts	\$ 11,285.44
Allowance for uncollectibles	<u>(5,000.00)</u>
Net Receivables	<u>\$ 6,285.44</u>

**Governmental Receivables and Estimated Uncollectible Accounts**

Property taxes	\$ 9,281.14
Property taxes-subsequent year	57,878.74
Franchise fees	3,642.36
Intergovernmental	<u>42,305.79</u>
	113,108.03
Allowance for uncollectibles	<u>(5,065.00)</u>
Net receivables	<u>\$ 108,043.03</u>

**Note 6 Intergovernmental Receivables**

Amounts of intergovernmental receivables at September 30, 2006 include the following:

General Fund	
State of Mississippi-Sales Tax	\$ <u>4,305.79</u>
Special Revenue Fund	
State of Mississippi-Grant funds	\$ <u>38,000.00</u>

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 7 Restricted Assets – Investments**

A summary of restricted investment balances at September 30, 2006 follows:

<u>Description</u>	<u>Certificate of Deposit</u>
Bond Cushion Account	\$ 12,494.00
Bond Depreciation Account	5,747.00
Bond Contingent Account	5,747.00
Total restricted assets	<u>\$ 23,988.00</u>

Amounts included as "reserved for revenue bond retirement" at September 30, 2006, represent the funds necessary to provide for adequate cumulative funding of reserves as required by respective debt instruments (Note 9). The reserve balances are equal to the restricted investment amount.

The \$27,800.00 USDA-Rural Development Revenue Bond requires the Town to accumulate the following reserve accounts:

	<u>Total Amount Required</u>	<u>Amount Reserved as of 9-30-06</u>
Bond Cushion	\$ 850.00	\$ 850.00
Bond Contingent	425.00	425.00
Bond Depreciation	425.00	425.00
Totals	<u>\$ 1,700.00</u>	<u>\$ 1,700.00</u>

The \$180,600.00 USDA-Rural Development Revenue Bond requires the Town to accumulate the following reserve accounts:

	<u>Total Amount Required</u>	<u>Amount Reserved as of 9-30-06</u>
Bond Cushion	\$ 5,644.00	\$ 5,644.00
Bond Contingent	2,822.00	2,822.00
Bond Depreciation	2,822.00	2,822.00
Totals	<u>\$ 11,288.00</u>	<u>\$ 11,288.00</u>

The \$113,000.00 USDA-Rural Development Revenue Bond requires the Town to accumulate the following reserve accounts:

	<u>Total Amount Required</u>	<u>Amount Reserved as of 9-30-06</u>
Bond Cushion	\$ 6,000.00	\$ 6,000.00
Bond Contingent	2,500.00	2,500.00
Bond Depreciation	2,500.00	2,500.00
Totals	<u>\$ 11,000.00</u>	<u>\$ 11,000.00</u>

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

**Note 8 Capital Assets**

Capital assets activity for the year ended September 30, 2006 was as follows:

	<u>Balance</u> <u>10/1/2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2006</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 44,000.00	\$ -	\$ -	\$ 44,000.00
Total capital assets not being depreciated	<u>44,000.00</u>	<u>-</u>	<u>-</u>	<u>44,000.00</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,832.43	-	-	9,832.43
Equipment	22,998.17	1,478.35	-	24,476.52
Total capital assets being depreciated	<u>32,830.60</u>	<u>1,478.35</u>	<u>-</u>	<u>34,308.95</u>
Less accumulated depreciation for:				
Buildings and improvements	9,832.43	-	-	9,832.43
Equipment	21,122.68	738.83	-	21,861.51
Total accumulated depreciation	<u>30,955.11</u>	<u>738.83</u>	<u>-</u>	<u>31,693.94</u>
Total capital assets being depreciated, net	<u>1,875.49</u>	<u>739.52</u>	<u>-</u>	<u>2,615.01</u>
Governmental activity capital assets, net	<u>\$ 45,875.49</u>	<u>\$ 739.52</u>	<u>\$ -</u>	<u>\$ 46,615.01</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government \$ 738.83

	<u>Balance</u> <u>10/1/2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2006</u>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 65,375.00	\$ 156,375.00	\$ 221,750.00	\$ -
Total capital assets not being depreciated	<u>65,375.00</u>	<u>156,375.00</u>	<u>221,750.00</u>	<u>-</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,610.74	-	-	9,610.74
Water system	1,396,879.27	221,750.00	-	1,618,629.27
Equipment	8,725.00	-	-	8,725.00
Total capital assets being depreciated	<u>1,415,215.01</u>	<u>221,750.00</u>	<u>-</u>	<u>1,636,965.01</u>
Less accumulated depreciation for:				
Buildings and improvements	9,610.74	-	-	9,610.74
Water system	600,364.91	39,500.13	-	639,865.04
Equipment	8,725.00	-	-	8,725.00
Total accumulated depreciation	<u>618,700.65</u>	<u>39,500.13</u>	<u>-</u>	<u>658,200.78</u>
Total capital assets being depreciated, net	<u>796,514.36</u>	<u>182,249.87</u>	<u>-</u>	<u>978,764.23</u>
Governmental activity capital assets, net	<u>\$ 861,889.36</u>	<u>\$ 338,624.87</u>	<u>\$ 221,750.00</u>	<u>\$ 978,764.23</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water & Sewer \$ 39,500.13

In proprietary funds, the following estimated useful lives are used to compute depreciation on a straight-line basis:

Water system	20-40 Years
Improvements	10 Years
Equipment	5 Years

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

**Note 9 Long-Term Obligations**

**Revenue Bonds.** The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding are as follows:

Water Revenue Bonds – USDA Rural Development

# 91-02	\$27,800.00 Water Improvement Revenue Bond dated 3-20-81, maturity date 3-20-2016, payable in annual installments of principal and interest of \$2,500.00, interest at 5 percent, payable to Rural Development	\$ 8,641.33
# 92-01	\$180,000.00 Water Improvement Revenue Bond dated 5-12-82, maturity date 5-12-2017, payable in annual installments of principal and interest of \$10,500.00, interest at 5 percent, payable to Rural Development	16,025.57
# 91-03	\$113,000.00 Water Improvement Revenue Bond dated 5-23-86, maturity date 5-23-2021, payable in annual interest payments only on 5-23-87 and 5-23-88 and principal and interest of \$8,977.85 thereafter on the anniversary date, interest at 7.125 percent, payable to Rural Development	<u>77,317.53</u>
	Total	<u>\$ 101,984.43</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense of \$7,125.09 was incurred this fiscal year. All was charged to expense in the Water & Sewer Enterprise Fund.

Debt service requirements on long term debt at September 30, 2006 are as follows:

**Business-type activities:**

Fiscal Year Ending <u>September 30</u>	<u>Rural Development Bonds</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 6,353.23	\$ 15,626.33	\$ 21,979.56
2008	5,536.15	10,523.40	16,059.55
2009	5,110.14	5,581.86	10,692.00
2010	4,731.48	5,960.52	10,692.00
2011	4,326.64	6,365.36	10,692.00
2012-2016	15,269.84	31,137.19	46,407.03
2017-2020	<u>3,413.32</u>	<u>26,789.77</u>	<u>30,203.09</u>
	\$ <u>44,740.80</u>	\$ <u>101,984.43</u>	\$ <u>146,725.23</u>

**Long-term Obligation Activity:**

Changes in long-term obligations for the year ended September 30, 2006 are as follows:

**Business-type activities:**

**Water & Sewer:**

USDA -Rural Development Bonds:	Balance <u>10-1-2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9-30-2006</u>
#91-02	\$ 9,879.57	\$ -	\$ 1,238.24	\$ 8,641.33
#92-01	26,233.96	-	10,208.39	16,025.57
#91-03	<u>80,666.80</u>	<u>-</u>	<u>3,349.27</u>	<u>77,317.53</u>
Total	\$ <u>116,780.33</u>	\$ <u>-</u>	\$ <u>14,795.90</u>	\$ <u>101,984.43</u>

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 10 Solid Waste Disposal**

The Town has contracted with Allied Waste Services, Inc. to provide residential garbage collection and disposal. The present monthly rate is \$1,460.10. The Town has adopted the Solid Waste Management Plan for Bolivar County, Mississippi.

**Note 11 Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Note 12 Pension Plan - Public Employees Retirement System**

**Plan Description:** Town of Renova contributes to the Public Employee's 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 Employee 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 7.25% of their annual covered salary and the Town of Renova is required to contribute at an actuarial determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established by and may be amended only by the State of Mississippi Legislature. The Town of Renova's contributions to PERS for the years ended September 30, 2004, 2005 and 2006, were \$5,421.63, \$ 6,716.58, and \$8,020.47 respectively, equal to the required contributions for each year.

**Note 13 Commitments and Contingencies**

As part of its activities under a HOME grant, the Town is committed to certain construction contracts. The unpaid balances on these contracts at the financial statement date were \$38,000.

The Town received federal grants for various projects. Any amounts received or receivable from these grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability to repay the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

**Note 14 Interfund Transactions and Balances**

As of September 30, 2006, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>General Fund</b>		
Due to Proprietary Fund	\$ -	\$ 2,500.00
<b>Proprietary Fund</b>		
Due from General Fund	\$ <u>2,500.00</u>	\$ <u>-</u>
	\$ <u>2,500.00</u>	\$ <u>2,500.00</u>

**TOWN OF RENOVA, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 14 Interfund Transactions and Balances (continued)**

These balances are not expected to be repaid within the next fiscal year.

**Page 15 Prior Period Adjustment**

A prior period adjustment has been recorded in the government-wide statement of activities to correct the amount of deferred tax revenues reported in prior years.

**Required Supplementary Information**

**Required Supplementary Information**  
**Town of Renova, Mississippi**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 95,000.00	\$ 95,000.00	\$ 99,665.52	\$ 4,665.52
Resources (inflows)				
Property taxes	72,245.00	72,245.00	68,989.87	(3,255.13)
Franchise taxes	14,000.00	14,000.00	16,420.64	2,420.64
Licenses and permits	3,120.00	3,120.00	(436.31)	(3,556.31)
Intergovernmental	33,200.00	33,200.00	37,454.11	4,254.11
Interest	350.00	350.00	909.31	559.31
Miscellaneous	100.00	100.00	200.00	100.00
Amounts available for appropriation	<u>218,015.00</u>	<u>218,015.00</u>	<u>223,203.14</u>	<u>5,188.14</u>
Charges to appropriations (outflows)				
General government				
Legislative	11,700.00	11,700.00	11,700.00	-
Executive	22,920.00	22,920.00	22,301.20	618.80
Financial administration	47,606.00	50,322.00	48,750.49	1,571.51
Recreation	3,500.00	3,500.00	755.00	2,745.00
Public works				
Maintenance	14,168.00	14,168.00	13,421.88	746.12
Street lights	6,500.00	6,500.00	7,780.07	(1,280.07)
Nondepartmental				
Other	10,700.00	10,700.00	13,042.91	(2,342.91)
Total charges to appropriations	<u>117,094.00</u>	<u>119,810.00</u>	<u>117,751.55</u>	<u>2,058.45</u>
Other financing sources (uses)				
Transfers out	-	-	(851.00)	(851.00)
Budgetary fund balance, September 30	<u>\$ 100,921.00</u>	<u>\$ 98,205.00</u>	<u>\$ 104,600.59</u>	<u>\$ 6,395.59</u>

**Required Supplementary Information**  
**Town of Renova, Mississippi**  
**Budgetary Comparison Schedule-Special Revenue Fund**  
**For the Fiscal Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 7,456.00	\$ 7,456.00	\$ 7,470.15	\$ 14.15
Resources (inflows)				
Intergovernmental	2,930.00	2,930.00	98,126.83	95,196.83
Interest	50.00	50.00	41.96	(8.04)
Amounts available for appropriation	<u>10,436.00</u>	<u>10,436.00</u>	<u>105,638.94</u>	<u>95,202.94</u>
Charges to appropriations (outflows)				
Public housing				
Other	-	-	94,959.62	(94,959.62)
Public safety				
Other	-	-	3,168.21	(3,168.21)
Capital outlay	2,930.00	2,930.00	-	2,930.00
Total charges to appropriations	<u>2,930.00</u>	<u>2,930.00</u>	<u>98,127.83</u>	<u>(95,197.83)</u>
Other financing sources (uses)				
Transfers in			1.00	1.00
Budgetary fund balance, September 30	<u>\$ 7,506.00</u>	<u>\$ 7,506.00</u>	<u>\$ 7,512.11</u>	<u>\$ 6.11</u>

**Required Supplementary Information  
Town of Renova, Mississippi  
Note to Budgetary Comparison Schedule**

**Note A - Explanation of differences between Budgetary inflows  
and outflows and GAAP revenues and expenditures**

	General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 223,203.14	\$ 105,638.94
Differences-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.	(99,665.52)	(7,470.15)
Revenues reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	(1,095.39)	38,000.00
	<u>                    </u>	<u>                    </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 122,442.23</u></u>	<u><u>\$ 136,168.79</u></u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 117,751.55	\$ 98,127.83
Differences-budget to GAAP:		
Expenditures reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	228.62	38,000.00
	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 117,980.17</u></u>	<u><u>\$ 136,127.83</u></u>

**Supplementary Information**

**Town of Renova, Mississippi**  
**Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections**  
**For the Year Ended September 30, 2006**

Assessed Valuation & Millage:	<u>Assessed Value</u>	<u>Tax</u>	
Realty	\$ 1,634,984		
Personalty	28,450		
Personal-Auto (From County)	524,953		
Utilities	117,625		
Total assessed value	<u>2,306,012</u>		
Less: Board Order Changes	<u>(58,937)</u>		
Total Municipal at 32 Mills	<u>\$ 2,247,075</u>	71,906	
 Collections Adjustments:			
Add: Municipal Homestead Reimbursement		4,103	
Prior Year Tax Collection		6,237	
Penalties and Interest		3,783	
Less: Homestead Exemption Credit		(7,427)	
Collector's Commission		<u>(851)</u>	
Total to be Accounted For:		<u>\$ 77,752</u>	
	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
Collection Credits to Funds:			
Municipal General Fund	<u>68,397</u>	<u>4,103</u>	72,500
 Balance Represented By:			
Unpaid Property Taxes			5,454
Unaccounted for			<u>(202)</u>
Total Accounted For:			<u>\$ 77,752</u>

Ad valorem tax assessments were found to be within the limitations of Section 27-39-320 to 27-39-329 as follows:

Base - 2005	56,832	Taxes collected 05-06	58,377
10% increase	<u>5,683</u>	Homestead exemption reimbursement	4,103
		Margin	<u>35</u>
	<u>62,515</u>		<u>62,515</u>

**Town of Renova, Mississippi**  
**Schedule of Surety Bonds for Town Officials**  
September 30, 2006

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Scheduled Bond-FHA</u>	<u>Blanket Bond</u>
Maurice Lucas	Mayor	Ohio Casualty	\$35,000	\$50,000
Pamela Martin	Town Clerk	Ohio Casualty	\$35,000	\$50,000
Millicent Cole	Deputy Clerk	Ohio Casualty		\$50,000
Marcia Barnes	Deputy Clerk	Ohio Casualty		\$50,000
Manuel Coleman, Jr.	Alderman	Ohio Casualty		\$50,000
Elbert Scott	Alderman	Ohio Casualty		\$50,000
Lenora Payne	Alderman	Ohio Casualty	\$15,000	\$50,000
Harvey Green	Alderman	Ohio Casualty		\$50,000
Milton Hunt	Alderman	Ohio Casualty		\$50,000
	Police Chief	Ohio Casualty		\$50,000

**OTHER REPORTS**

CARLTON W. EDMONDSON, JR., CPA  
ALLEN BURCHFIELD, CPA

WILLIAM P. NEAL, CPA  
FOUNDER (1921-1995)  
ROBERT NEAL, CPA  
FOUNDER (1949-1998)

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen  
Town of Renova  
Renova, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the Town of Renova's basic financial statements and have issued our report thereon dated September 30, 2006. 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Renova's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Renova, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Town of Renova, Mississippi's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions as items 2006-1 & 2006-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items finding numbers 2006-1 and 2006-2 to be material weaknesses.

Honorable Mayor and Board of Aldermen  
Town of Renova  
Renova, Mississippi

This report is intended for the use of the Board of Aldermen, management, and the State Auditor's Office and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Edmondson & Burdfield, LLC*

Cleveland, Mississippi  
December 20, 2007

**Town of Renova, Mississippi  
Schedule of Reportable Conditions  
For the Year Ended September 30, 2006**

**2006-1            All Financial Functions**

*Condition:* There is a lack of segregation of duties in all financial transactions as there are only three part time employees in the business office. These employees are responsible for the accounting functions and they perform conflicting duties. This finding was included in the prior year reports.

*Criteria:* Effective internal control requires certain incompatible duties be separated between financial staff members.

*Effect:* Errors may occur which could adversely affect financial reporting and accountability and not be detected timely.

*Recommendation:* It is not financially feasible for the Town to add staff in order to allow for segregation of duties.

*Response:* The Town agrees with this recommendation.

**2006-2            Cash Receipts Function**

*Condition:* Cash receipts not deposited timely. Our testing revealed instances of delays in depositing cash receipts in the general and water fund accounts. A similar finding was reported in the prior period.

*Criteria:* Cash received should be deposited as soon as possible.

*Effect:* Cash on hand requires additional security procedures and is subject to loss.

*Recommendation:* Receipts should be required to be deposited by the next business day if at all possible.

*Response:* Due to the nature of our workforce, we will not be able to make daily deposits, but will work to make more timely deposits.

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MISSISSIPPI STATE AUDITOR'S REQUIREMENTS AND STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen  
Town of Renova  
Renova, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the Town of Renova's basic financial statements and have issued our report thereon dated December 20, 2007. 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.

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

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

1. **Finding:**

The Town is not collecting privilege taxes from all businesses within its borders. (Sec 27-17-5)

**Recommendation:**

The Town should assess and collect privilege taxes from businesses as prescribed by statute.

**Response:**

The Town agrees with the recommendation and will implement procedures for collection of privilege taxes.

2. **Finding:**

Expenditures in the Special Revenue Fund and General Fund exceeded the municipal budget.

**Recommendation:**

The Town should take steps to ensure that expenditures will not exceed budgeted levels as required by Section 21-35-17.

**Response:**

The Town agrees with the recommendation and will take steps necessary to ensure sufficient information is available to prevent over-expenditures.

3. **Finding:**

The Municipal Compliance Questionnaire was not included in the official Board minutes.

**Recommendation:**

The Municipal Compliance Questionnaire should be included as a part of the official minutes of the designated Board meeting.

Page Two  
Honorable Mayor and Board of Aldermen

**Response:**

The Municipal Compliance Questionnaire was completed and approved by the Board. However, it was not made part of the official minutes. We will include the questionnaire in the minutes in subsequent periods.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations reflected above.

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

*Edmondson + Burdfield, PLLC*

Cleveland, Mississippi  
December 20, 2007