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# City of Ruleville

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Ms. Shirley J. H. Edwards, Mayor  
Ms. Edna Beverly, City Clerk  
Ms. Lenora Flakes, Deputy City Clerk

Aldermen:  
Rev. Johnny L. Hill  
Mr. James (Butch) Jenkins  
Mr. James D. Johnson  
Ms. Hattie R. Jordan  
Mr. Mario Robinson

February 7, 2008

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

Re: Annual Municipal Audit

Accompanying this letter are three copies of the annual audit of the City of Ruleville, Mississippi, for the fiscal year ended September 30, 2006. In connection with this audit, a separate management letter was written to the city. Enclosed you will find three copies of this management letter along with the audit reports.

Sincerely,

Mayor

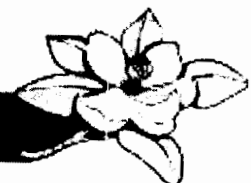
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FEB 11 - 2008

STATE AUDITOR'S OFFICE

P.O. Box 428 • 200 East Floyce • Ruleville, Mississippi 38771-0428

—The City with a Personality—



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

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

## EDMONDSON & BURCHFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
217 NORTH PEARMAN AVENUE • P.O. BOX 238  
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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Aldermen and Mayor  
City of Ruleville  
Ruleville, Mississippi

In planning and performing our audit of the financial statements of the City of Ruleville, Mississippi, for the year ended September 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Ruleville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable 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 errors or fraud 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 internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

The City of Ruleville's administrative staff is too small to provide for the segregation of normally incompatible financial functions. The most effective internal control should provide for adequate segregation of financial duties and internal review of financial statements and reports. The chances of errors or fraud may occur in amounts that would be material in relation to the financial statements are increased by this condition.

This material weakness was considered in determining the nature, timing and extent of the audit tests applied in our audit of the September 30, 2006 general purpose financial statements, and this report does not affect our report on those financial statements dated December 10, 2007. We have not considered the internal control since the date of our report.

We also wish to bring to your attention a problem we encountered in attempting to obtain records about municipal fines and related records. Our request for these records has not resulted in the

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documentation being furnished to us. The documents that we were able to see lead us to believe that the records are incomplete. Since we have not been able to audit those records, a scope restriction has been placed on us as auditors. This scope limitation required that we qualify our independent auditors' opinion on matters related to these fines.

We encourage you to take action to prevent such audit limitations in future years. You may also need to consider whether the current oversight of the municipal court and the collection of fines is adequate. Given the current conditions, you have little assurance that fines are being handled properly.

We encountered some difficulty in determining the correct rate of pay in our testing of the City's payroll expenditures. The personnel information currently included in the minutes is not sufficiently detailed for this purpose. We suggest that a more formal system of documenting pay rates be implemented, such as including a status change form reflecting the employee's current position and rate of pay in each employee's personnel file. The City should also review any such changes to ensure that they are in agreement with the City's personnel policies.

We encourage you to transfer the correct amounts into the debt service fund per the millage allocation set in the budget.

The City currently has no fixed asset inventory which completely reflects all fixed assets owned by the City. We encourage the City to begin the process of inventorying all fixed assets, including infrastructure to provide additional accountability for those assets and to meet financial statement reporting requirements.

We also encountered some difficulty in obtaining the documentation such as paid invoices needed for applying certain audit procedures. The problems with locating those documents caused considerable delay in the completion of our audit procedures. We encourage you to review the procedures for collecting and filing the City's documents.

Our testing of water billings included a comparison of the gallons of water billed by the City to the amount of water pumped through the system. While a certain amount of loss is expected due to City use, water leaks, and other factors, our calculated loss percentage was more than expected. Our calculation of water loss indicated a loss in excess of 20%. While there is some concern that the meters on the water wells are inaccurate, we believe that you should pay additional attention to this matter. The potential loss of revenue could be substantial.

A portion of our testing of cash disbursements included payments to Griffin Waste Service. As part of our testing, we requested a copy of the waste service contract between the City and Griffin Waste Service. The contract provided to us, dated June 1, 2003, calls for payments of \$10.75 per month per residential unit with no specific number of units indicated. The contract also contains provisions for modification of the initial rate. The City's billing records for garbage service for October, 2005 through September, 2006 show an average of approximately

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808 units per month. At the initial contract rate, this would indicate an average monthly payment of \$8,686. However, the average monthly payment for this fiscal year was approximately \$12,000.00. We were not provided any documentation of increases to the initial fee or any new contract affecting this fiscal year. We suggest that you review this situation to determine if the City is being billed properly for waste collection.

This report is intended solely for the information and use of the Board of Aldermen, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

*Edmondson & Burtfield, PLLC*  
December 10, 2007

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STATE AUDITOR'S OFFICE

**CITY OF RULEVILLE, MISSISSIPPI**

**Financial Statements**

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

FEB 14 2008

STATE AUDITOR'S OFFICE

**EDMONDSON & BURCHFIELD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
Cleveland, Mississippi

CITY OF RULEVILLE, MISSISSIPPI

**Financial Statements**

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

**City of Ruleville, Mississippi**  
**Financial Statements**  
**For the Fiscal Year Ended September 30, 2006**

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# EDMONDSON & BURCHFIELD, PLLC

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MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi

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

Except as discussed in the following paragraphs, 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.

The City does not have adequate subsidiary records documenting the historical cost of fixed assets included in the statement of net assets. We were unable to satisfy ourselves as to the historical cost of fixed assets, reported at \$7,980,887.81 in the statement of net assets. We were also unable to satisfy ourselves as to the depreciation expense reported in the business-type activities.

Accounting Standards generally accepted in the United States of America also require that fixed assets used in governmental activities be depreciated over their estimated useful lives. The City of Ruleville has not recorded depreciation on its fixed assets.

We were unable to obtain sufficient evidence to satisfy ourselves about the recorded amount of fines and forfeits stated at \$153,181.80. These fines and forfeits are principally collections on citations issued by the police department and collected by the police department and the City court.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain adequate fixed asset records or obtain sufficient evidence about the amount of fines and forfeits and for the failure to record depreciation on the assets used in governmental activities of the City, 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 City of Ruleville, 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.

The budgetary comparison information on pages 23-26, 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 City of Ruleville, 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.

*Edmondson & Burchfield, PLLC*

Cleveland, Mississippi  
December 10, 2007

**City of Ruleville, 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	\$ 666,184.49	\$ 219,775.31	\$ 885,959.80
Receivables(net)	560,743.39	50,825.77	611,569.16
Restricted Assets			
Cash	224,021.82	10,373.88	234,395.70
Mortgage note receivable	399,165.00	-	399,165.00
Due from other funds	-	21,445.61	21,445.61
Deferred charges	-	8,548.11	8,548.11
Capital assets, net of depreciation	5,453,118.34	2,527,769.47	7,980,887.81
 Total assets	 <u>\$ 7,303,233.04</u>	 <u>\$ 2,838,738.15</u>	 <u>\$ 10,141,971.19</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 54,313.30	\$ 32,211.83	\$ 86,525.13
Accrued interest payable	-	1,522.86	1,522.86
Deferred revenue	512,903.06	-	512,903.06
Customer deposits	-	30,620.38	30,620.38
Due to other funds	21,445.61	-	21,445.61
Other	13,349.89	-	13,349.89
Long-term liabilities			
Due within one year	20,000.00	34,634.42	54,634.42
Due in more than one year	40,000.00	599,613.34	639,613.34
 Total liabilities	 <u>662,011.86</u>	 <u>698,602.83</u>	 <u>1,360,614.69</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,453,118.34	1,893,521.71	7,346,640.05
Restricted for:			
Debt Service	185,122.79	-	185,122.79
Fire protection	240,468.04	-	240,468.04
Housing	399,165.00	-	399,165.00
Revenue bond retirement	-	10,373.88	10,373.88
Unrestricted	363,347.01	236,239.73	599,586.74
 Total net assets	 <u>\$ 6,641,221.18</u>	 <u>\$ 2,140,135.32</u>	 <u>\$ 8,781,356.50</u>

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

**City of Ruleville, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2006**

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>		
	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	\$ (144,925.36)	\$ 17,179.00	\$ 56,765.09	\$ (70,981.27)	-	-	\$ (70,981.27)
Public safety	(610,061.70)	153,181.80	68,381.00	(388,498.90)	-	-	(388,498.90)
Public works	(163,513.51)	-	37,976.10	(125,537.41)	-	-	(125,537.41)
Culture and recreation	(158,441.17)	-	-	(158,441.17)	-	-	(158,441.17)
Court	(13,324.50)	-	-	(13,324.50)	-	-	(13,324.50)
Interest on long-term debt	(4,758.26)	-	-	(4,758.26)	-	-	(4,758.26)
Total governmental activities	(1,095,024.50)	170,360.80	163,122.19	(761,541.51)	-	-	(761,541.51)
Business-type activities:							
Water & sewer	(646,395.67)	496,364.52	-	-	(150,031.15)	-	(150,031.15)
Total business-type activities	(646,395.67)	496,364.52	-	-	(150,031.15)	-	(150,031.15)
Total primary government	(1,741,420.17)	666,725.32	163,122.19	(761,541.51)	(150,031.15)	-	(911,572.66)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				561,602.40	-	-	561,602.40
Franchise taxes				101,502.70	-	-	101,502.70
Intergovernmental revenues				308,114.17	-	-	308,114.17
Interest				8,806.48	2,418.54	-	11,225.02
Transfers				(114,731.09)	114,731.09	-	-
Miscellaneous				17,512.12	-	-	17,512.12
Total general revenues				882,806.78	117,149.63	-	999,956.41
Change in net assets				121,265.27	(32,881.52)	-	88,383.75
Net assets-beginning				6,519,955.91	2,173,016.84	-	8,692,972.75
Net assets-ending				\$ 6,641,221.18	\$ 2,140,135.32	-	\$ 8,781,356.50

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

**City of Ruleville, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2006**

Exhibit 3

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and other deposits	521,951.47	\$ -	\$ 119,233.02	\$ -	\$ 641,184.49
Cash held by fiscal agent		-	25,000.00	-	25,000.00
<b>Receivables</b>					
Taxes	633,978.69	-	-	-	633,978.69
Allowance for uncollectibles	(121,075.57)	-	-	-	(121,075.57)
Franchise Fees	15,978.95	-	-	-	15,978.95
Intergovernmental	31,861.32	-	-	-	31,861.32
Mortgage note receivable		399,165.00	-	-	399,165.00
<b>Restricted assets:</b>					
Cash and other deposits		224,021.82	-	-	224,021.82
Due from other funds	2,442.45	16,446.22	40,889.77	-	59,778.44
<b>Total assets</b>	<b>\$ 1,085,137.31</b>	<b>\$ 639,633.04</b>	<b>\$ 185,122.79</b>	<b>\$ -</b>	<b>\$ 1,909,893.14</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 39,432.82	\$ -	\$ -	\$ -	\$ 39,432.82
Accrued personal services	14,880.48	-	-	-	14,880.48
Due to other funds	78,781.59	-	-	2,442.46	81,224.05
Other	13,349.89	-	-	-	13,349.89
Deferred revenue	512,903.06	-	-	-	512,903.06
<b>Total liabilities</b>	<b>659,347.84</b>	<b>-</b>	<b>-</b>	<b>2,442.46</b>	<b>661,790.30</b>
<b>Fund balance</b>					
Reserved	-	399,165.00	185,122.79		584,287.79
Unreserved, undesignated	425,789.47	240,468.04		(2,442.46)	663,815.05
<b>Total equity and other credits</b>	<b>425,789.47</b>	<b>639,633.04</b>	<b>185,122.79</b>	<b>(2,442.46)</b>	<b>1,248,102.84</b>
<b>Total liabilities, equity, and other credits</b>	<b>\$ 1,085,137.31</b>	<b>\$ 639,633.04</b>	<b>\$ 185,122.79</b>	<b>\$ -</b>	

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	5,453,118.34
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds	(60,000.00)
	<b>\$ 6,641,221.18</b>

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

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

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 486,894.64	\$ -	\$ 74,707.76	\$ -	\$ 561,602.40
Licenses and permits	110,696.99	-	-	-	110,696.99
Intergovernmental	438,509.88	26,312.36	6,414.12	-	471,236.36
Fines and forfeits	153,181.80	-	-	-	153,181.80
Interest earned	1,533.35	6,300.48	972.65	-	8,806.48
Miscellaneous	25,496.83	-	-	-	25,496.83
Total revenues	<u>1,216,313.49</u>	<u>32,612.84</u>	<u>82,094.53</u>	<u>-</u>	<u>1,331,020.86</u>
<b>Expenditures:</b>					
Current:					
General government	146,414.50	-	-	-	146,414.50
Public safety					
Police	694,596.72	-	-	-	694,596.72
Fire	19,097.74	-	-	-	19,097.74
Public works	166,208.51	-	-	-	166,208.51
Culture & recreation	167,898.12	-	-	-	167,898.12
Court	13,324.50	-	-	-	13,324.50
Debt service					
Principal retirement	-	-	40,000.00	-	40,000.00
Interest and fiscal charges	-	-	4,758.26	-	4,758.26
Total expenditures	<u>1,207,540.09</u>	<u>-</u>	<u>44,758.26</u>	<u>-</u>	<u>1,252,298.35</u>
Excess(deficiency) of revenues over(under) expenditures	<u>8,773.40</u>	<u>32,612.84</u>	<u>37,336.27</u>	<u>-</u>	<u>78,722.51</u>
Other financing sources (uses)					
Operating transfers in	13,630.69	-	-	-	13,630.69
Operating transfers out	(114,731.09)	(13,630.69)	-	-	(128,361.78)
Total other financing sources (uses)	<u>(101,100.40)</u>	<u>(13,630.69)</u>	<u>-</u>	<u>-</u>	<u>(114,731.09)</u>
Net change in fund balances	(92,327.00)	18,982.15	37,336.27	-	(36,008.58)
Fund balance, October 1	<u>518,116.47</u>	<u>620,650.89</u>	<u>147,786.52</u>	<u>(2,442.46)</u>	<u>1,284,111.42</u>
Fund balance, September 30	<u>\$ 425,789.47</u>	<u>\$ 639,633.04</u>	<u>\$ 185,122.79</u>	<u>\$ (2,442.46)</u>	<u>\$ 1,248,102.84</u>

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

**City of Ruleville, 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 \$ (36,008.58)

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 to be allocated over their estimated useful lives and reported as depreciation expense. No depreciation has been recorded on capital assets.

117,273.85

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

40,000.00

Change in net assets of governmental activities

\$ 121,265.27

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

**City of Ruleville, Mississippi**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2006**

	Water and Sewer Enterprise Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 208,346.08
Investments	11,429.23
Restricted cash and cash equivalents	10,373.88
Receivables, net	50,825.77
Total current assets	280,974.96
Noncurrent assets:	
Capital assets	
Property and equipment	4,178,879.50
Less accumulated depreciation	(1,651,110.03)
	2,527,769.47
Due from governmental funds	21,445.61
Deferred charges	8,548.11
Total noncurrent assets	2,557,763.19
Total assets	\$ 2,838,738.15
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 32,211.83
Interest payable	1,522.86
Customer deposits	30,620.38
Bonds and loans payable	
Total current liabilities	64,355.07
Noncurrent liabilities:	
Bonds and loans payable	634,247.76
Total noncurrent liabilities	634,247.76
Total liabilities	698,602.83
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,893,521.71
Restricted for debt service	10,373.88
Unrestricted	236,239.73
Total net assets	\$ 2,140,135.32

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

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

	<u>Water and Sewer Enterprise Fund</u>
<b>Operating revenues:</b>	
Charges for sales and services	\$ 496,364.52
<b>Operating expenses:</b>	
Personal services	201,620.19
Supplies	37,996.40
Other services and charges	273,846.77
Depreciation and amortization	103,537.80
Total operating expense	<u>617,001.16</u>
Operating income (loss)	<u>(120,636.64)</u>
<b>Non-operating revenues (expenses)</b>	
Interest revenue	2,418.54
Interest expense	<u>(29,394.51)</u>
Total non-operating revenues (expenses)	<u>(26,975.97)</u>
Income (loss) before other revenues and transfers	<u>(147,612.61)</u>
<b>Operating transfers in (out)</b>	<u>114,731.09</u>
Increase (decrease) in net assets	<u>(32,881.52)</u>
<b>Total net assets, October 1</b>	<u>2,173,016.84</u>
<b>Total net assets, September 30</b>	<u><u>\$ 2,140,135.32</u></u>

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

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

	<u>Water and Sewer Enterprise Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 500,794.56
Payments to suppliers	(309,104.86)
Payments to employees	(204,962.16)
Net cash provided by operating activities	<u>(13,272.46)</u>
<b>Cash flows from Noncapital Financing Activities</b>	
Operating transfers from other funds	<u>114,731.09</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Repayments of debt	(33,241.17)
Purchase of fixed assets	(793.00)
Government grants	-
Interest paid on long-term debt	(28,428.03)
Net Cash Used for Capital and Related Financing Activities	<u>(62,462.20)</u>
<b>Cash Flows from Investing Activities</b>	
Interest earned on operating funds	<u>2,418.54</u>
Net Cash Provided (Used) by Investing Activities	<u>2,418.54</u>
Net increase (decrease) in Cash and Cash Equivalents	41,414.97
Cash and Cash Equivalents, October 1	<u>188,734.22</u>
Cash and Cash Equivalents, September 30	<u>\$ 230,149.19</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (120,636.64)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	103,537.80
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	3,321.82
Increase (decrease) in accounts payable	(603.66)
Increase (decrease) in other payables	-
Increase (decrease) in water deposits	1,108.22
Net Cash Provided by Operating Activities	<u>\$ (13,272.46)</u>

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

**City of Ruleville, Mississippi**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**September 30, 2006**

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	<u>Agency Fund</u>
<b>Assets</b>	
Receivables	\$ 9,769.80
Due from other funds	2,442.45
Total assets	<u>\$ 12,212.25</u>
<b>Liabilities</b>	
Due to State of Mississippi	9,769.80
Due to other funds	2,442.45
Total liabilities	<u>\$ 12,212.25</u>

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

**CITY OF RULEVILLE, 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 City of Ruleville (the City). The City 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 City). 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 City. 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. Fiduciary funds are not included in these financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 City'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, and 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 City reports the following major governmental funds:

*General Fund* – This is the City'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 Fund* - 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.

*Debt Service Fund* - Debt Service Funds are used to account for the proceeds of tax levies designated for use in servicing the principal and interest payments on the City's outstanding general obligation debt.

The City reports the following major enterprise fund:

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

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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

The City also reports the following fund types:

**Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

**Agency Fund** – This fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, or other funds. These funds are custodial in nature and do not involve measurement of results or operations.

**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 and the accrual basis of accounting. 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. 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 City 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 City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted net assets are available to finance the program. It is the City'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 City 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 City 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 City has no additional formally adopted investment policies intended to address allowable investments or credit risks.

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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

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

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 the FDIC or any successors to such insurance corporations.

For the purposes of the statement of cash flows, the City 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 City bills and collects its own property taxes except for the personal auto taxes that are collected and remitted to the City by the Bolivar County Tax Collector. The millage rate for the City for 2005 taxes was 80 mills. The entire millage was allocated to the general fund and debt service funds. 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 City 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 used in governmental activities are not depreciated as required by accounting principles generally accepted in the United States of America.

Capital assets used by the business type activities of the City are depreciated using the straight line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-20
Improvements	10-15
Equipment	5-10
Water System	40-50

**Budgets**

Budgets are adopted on a cash basis. 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.

**Encumbrances**

The City does not maintain an encumbrance system to account for commitments resulting from approved purchase orders, work orders and contracts.

**Restricted Assets**

Proceeds received for fire protection are classified as restricted assets on the balance sheet of the Special Revenue Fund and can only be used for fire protection or prevention.

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**

Full time employees are allowed one week paid vacation after working one year and two weeks after working two years. Full time employees are allowed one day per month for sick leave. No liability for compensated absences has been recorded in the financial statements as amounts cannot be reasonably estimated. The City does not believe that the amount of such liability is significant.

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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

**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.

**Fund Reserves (continued)**

Contributed capital is recorded in 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 City 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 City 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 cash basis.

**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 City's deposits may not be returned. Since the City'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 City's bank deposits was \$ 1,108,926.27 and the respective bank balances totaled \$1,131,351.20. Of the bank balance, \$200,000 was insured through federal depository insurance, and the balance was collateralized by securities held by the pledging institutions trust department or agent but not in the government's name.

**Note 4 Fair Value of Investments**

The City's business-type activity 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 \$11,429.23 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.

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 5 Receivables (continued)**

The allowance amount is estimated using accounts receivable past due and collection experience.

Water accounts	\$ 118,291.93
Allowance for uncollectibles	<u>(67,466.16)</u>
Net Receivables	<u>\$ 50,825.77</u>

**Governmental Receivables and Uncollectible Accounts**

Property tax	\$ 144,978.69
Property tax-subsequent year	489,000.00
Franchise tax	15,978.95
Intergovernmental	<u>31,861.32</u>
	681,818.96
Allowance for uncollectibles	<u>(121,075.57)</u>
Net Receivables	<u>\$ 560,743.39</u>

**Note 6 Intergovernmental Receivables**

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

State of Mississippi-Sales Tax	\$ 24,721.30
Sunflower County, MS Motor Vehicle Taxes	<u>7,140.02</u>
	<u>\$ 31,861.32</u>

**Note 7 Note Receivable**

*Ruleville Apartment Homes, LLC*

On September 24, 1999, the City executed a promissory note with Ruleville Apartment Homes, LLC for the development of low income housing within the city limits. The City loaned the proceeds from its \$399,165 Home Investment Partnership grant through the Mississippi Department of Community Development to Ruleville Apartment Homes, LLC. The terms of the note require Ruleville Apartment Homes, LLC to repay the City in 480 monthly payments beginning 10 years from date with amortized payments in the lesser of the scheduled amortization plus 1% interest per annum or 50% of the net cash flow from the development after payment of expenses and the first mortgage payment. The note is nonrecourse and is subordinate to the first mortgage.

**Note 8 Restricted Assets – Cash**

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

**Proprietary Fund**

Bond cushion, depreciation and Contingency Account	\$ 10,373.88
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**Special Revenue Fund**

CDBG Grant	\$ 408.00
Municipal Fire Protection	61,833.53
Municipal Fire Protection-Certificates of Deposit	161,780.29

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

**Note 8 Restricted Assets – Cash (continued)**

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. The reserve balances are equal to the restricted cash.

The \$87,600 Rural Development Revenue Bond requires the City to accumulate the following reserve accounts:

	Total Amount <u>Required</u>	Amount Reserved as of 9-30-06
Bond Cushion	\$ 2,446.20	\$ 7,927.68
Bond Contingent	1,223.10	1,223.10
Bond Depreciation	<u>1,223.10</u>	<u>1,223.10</u>
Totals	<u>\$ 4,892.40</u>	<u>\$ 10,373.88</u>

The \$337,800 Rural Development Revenue Bond requires the City to accumulate the following reserve accounts:

	Total Amount <u>Required</u>	Amount Reserved as of 9-30-06
Bond Cushion	\$ 34,730.50	\$ 0.00
Bond Contingent	17,365.25	0.00
Bond Depreciation	<u>17,365.25</u>	<u>0.00</u>
Totals	<u>\$ 69,461.00</u>	<u>\$ 0.00</u>

The City is in arrears for funding the reserve accounts for the \$337,800 Rural Development Bond.

**Note 9 Capital Assets**

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

	Balance <u>10-1-2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9-30-2006</u>
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 90,212.00	\$ -	\$ -	\$ 90,212.00
Buildings and improvements	2,312,652.00	-	-	2,312,652.00
Fixtures and equipment	1,226,359.67	117,273.85	-	1,343,633.52
Streets	281,440.45	-	-	281,440.45
Sewer System	493,836.37	-	-	493,836.37
Industrial Land	26,133.00	-	-	26,133.00
Industrial Buildings	<u>905,211.00</u>	<u>-</u>	<u>-</u>	<u>905,211.00</u>
Total capital assets not being depreciated	<u>\$ 5,335,844.49</u>	<u>\$ 117,273.85</u>	<u>\$ -</u>	<u>\$ 5,453,118.34</u>
Governmental activity capital assets, net	<u>\$ 5,335,844.49</u>	<u>\$ 117,273.85</u>	<u>\$ -</u>	<u>\$ 5,453,118.34</u>
	Balance <u>10-1-2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9-30-2006</u>
<b>Business-type activities: Water &amp; Sewer</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 33,807.00	\$ -	\$ -	\$ 33,807.00
Total capital assets not being depreciated	<u>33,807.00</u>	<u>-</u>	<u>-</u>	<u>33,807.00</u>



**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

**Note 10 Long-Term Obligations (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Bonds and notes payable:					
Water and sewer debt	\$ 667,488.93	\$ -	\$ (33,241.17)	\$ 634,247.76	\$ 34,634.42
Water Revenue Bonds – USDA Rural Development					<u>Balance</u>
\$87,600 Water Improvement Revenue Bond dated January 1, 1997. maturity date in 2031 payable in monthly installments of principal and interest of \$450 with interest at 4.875 percent					\$ 76,485.09
\$337,800 Water Improvement Revenue Bond dated February 28, 2003. Maturity date is February 28, 2038. Interest rate is 4.5%. Interest payments only are due on the first and second anniversary date. Thereafter, annual installments of \$19,846 are to begin.					\$ 328,878.17
State of Mississippi Revolving Loan					
\$495,368 Revolving Loan from State of Mississippi. Maturity date is April, 2014. Interest rate is 4%. Payable at \$3,035.10 per month. Payments are withheld from the City's sales tax reimbursements.					\$ 228,884.50

There are a number of limitations and restrictions contained in the various bond indentures. Except as noted in Note 8, the City is in compliance with all significant limitations and restrictions.

Interest expense of \$ 29,394.51 was incurred this fiscal year and was charged to expense in the Water & Sewer Enterprise Fund.

Debt service requirements on business type activity debt at September 30, 2006 are as follows:

**Business-type activities:**

<u>Fiscal Year Ending September 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 27,034.78	\$ 34,634.42	\$ 61,669.20
2008	25,581.38	36,087.82	61,669.20
2009	24,066.70	37,602.50	61,669.20
2010	22,488.22	39,180.98	61,669.20
2011	20,843.28	40,825.92	61,669.20
2012-2016	82,541.19	125,646.51	208,187.70
2017-2021	66,616.43	59,623.57	126,240.00
Thereafter	<u>96,047.96</u>	<u>260,646.04</u>	<u>356,694.00</u>
	\$ <u>365,219.94</u>	\$ <u>634,247.76</u>	\$ <u>999,467.70</u>

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 11 Short Term Debt Obligations**

The City incurred short term debt for the purchase of vehicles for the Police Department.

Short-term debt activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Bank loan	\$ <u>-</u>	\$ <u>49,626.00</u>	\$ <u>(49,626.00)</u>	\$ <u>-</u>

**Note 12 Solid Waste Disposal**

The City has contracted with Griffin Waste Service to provide residential garbage collection and disposal. The present monthly rate is \$12,078.50.

**Note 13 Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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 14 Pension Plan - Public Employees Retirement System**

**Plan Description:** City of Ruleville 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 City of Ruleville is required to contribute at an actuarial determined rate. The current rate is 11.3% 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 City of Ruleville's contributions to PERS for the years ended September 30, 2004, 2005 and 2006, were \$54,313.60, \$54,484.70, and \$62,973.18 respectively, equal to the required contributions for each year.

**Note 15 Due To/From Other Funds**

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 Debt Service Fund	\$ -	\$ 40,889.77
Due to Special Revenue Fund	-	16,446.22
Due to Proprietary Fund	-	21,445.61
	21	

**CITY OF RULEVILLE, MISSISSIPPI**  
**Notes to Financial Statements**

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**Note 15 Due To/From Other Funds (continued)**

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Special Revenue Fund</b>		
Due from General Fund	16,446.22	-
<b>Debt Service Fund</b>		
Due from General Fund	40,889.77	-
<b>Agency Fund</b>		
Due from Capital Projects Fund	2,442.45	-
<b>Capital Projects Fund</b>		
Due to Agency Fund	-	2,442.45
<b>Proprietary Fund</b>		
Due from General Fund	<u>21,445.61</u>	<u>-</u>
	<u>\$ 81,224.05</u>	<u>\$ 81,224.05</u>

These balances are not expected to be repaid within the next fiscal year.  
Interfund transfers are made primarily to move resources between funds for satisfaction of liabilities.

**Note 16 Contingencies**

The City received federal and state 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 City expects such amounts, if any, to be immaterial.

The City has been named as defendant in a legal proceeding. Although the outcome of this proceeding is not presently determinable, it is the opinion of the City's attorney that the resolution of these matters will be favorable, and any damages awarded to be immaterial.

**Required Supplementary Information**

**Required Supplementary Information**  
**City of Ruleville, 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	\$ 203,044.00	\$ 203,044.00	\$ 570,366.84	\$ 367,322.84
Resources (inflows)				
Property taxes	515,000.00	515,000.00	516,843.38	1,843.38
Licenses and permits	82,240.00	82,240.00	109,538.01	27,298.01
Federal Grants	-	-	332,301.08	332,301.08
State Grants	39,745.00	39,745.00	-	(39,745.00)
Intergovernmental	144,908.00	144,908.00	273,947.93	129,039.93
Local Grants	16,236.00	16,236.00	-	(16,236.00)
Fines & forfeits	75,000.00	75,000.00	153,241.80	78,241.80
Miscellaneous	19,211.00	19,211.00	29,947.21	10,736.21
Transfers from other funds	-	-	13,630.69	13,630.69
Amounts available for appropriation	<u>1,095,384.00</u>	<u>1,095,384.00</u>	<u>1,999,816.94</u>	<u>904,432.94</u>
Charges to appropriations (outflows)				
General government	178,450.00	178,450.00	147,518.32	30,931.68
Public Safety				
Police	662,544.00	662,544.00	709,102.53	(46,558.53)
Fire	10,500.00	10,500.00	24,498.41	(13,998.41)
Public works	143,729.00	143,729.00	171,631.76	(27,902.76)
Court	17,103.00	17,103.00	13,324.50	3,778.50
Culture & recreation	99,263.00	99,263.00	313,411.45	(214,148.45)
Transfers to other funds	-	-	114,731.09	(114,731.09)
Total charges to appropriations	<u>1,111,589.00</u>	<u>1,111,589.00</u>	<u>1,494,218.06</u>	<u>(382,629.06)</u>
Budgetary fund balance, September 30	<u>\$ (16,205.00)</u>	<u>\$ (16,205.00)</u>	<u>\$ 505,598.88</u>	<u>\$ 521,803.88</u>

**Required Supplementary Information**  
**City of Ruleville, 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	\$ 207,225.00	\$ 207,225.00	\$ 221,485.89	\$ 14,260.89
Resources (inflows)				
Intergovernmental	25,012.00	25,012.00	26,312.36	1,300.36
Interest	-	-	6,300.48	6,300.48
Amounts available for appropriation	<u>232,237.00</u>	<u>232,237.00</u>	<u>254,098.73</u>	<u>21,861.73</u>
Charges to appropriations (outflows)				
Public safety				
Other	-	-	-	-
Capital outlay	25,000.00	25,000.00	-	25,000.00
Transfer to other funds	-	-	13,630.69	(13,630.69)
Total charges to appropriations	<u>25,000.00</u>	<u>25,000.00</u>	<u>13,630.69</u>	<u>11,369.31</u>
Budgetary fund balance, September 30	<u><u>\$ 207,237.00</u></u>	<u><u>\$ 207,237.00</u></u>	<u><u>\$ 240,468.04</u></u>	<u><u>\$ 33,231.04</u></u>

**Required Supplementary Information**  
**City of Ruleville, Mississippi**  
**Budgetary Comparison Schedule-Debt Service 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	\$ -	\$ -	\$ 131,717.82	\$ 131,717.82
Resources (inflows)				
Property taxes	-	-	81,121.88	81,121.88
Interest	-	-	972.65	972.65
Other	-	-	-	0.00
Amounts available for appropriation	-	-	213,812.35	213,812.35
Charges to appropriations (outflows)				
Debt Service				
Principal	-	-	40,000.00	(40,000.00)
Interest	-	-	4,332.50	(4,332.50)
Other	-	-	425.76	(425.76)
Total charges to appropriations	-	-	44,758.26	(44,758.26)
Budgetary fund balance, September 30	\$ -	\$ -	\$ 169,054.09	\$ 169,054.09

**Required Supplementary Information**  
**City of Ruleville, 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	Debt Service Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,999,816.94	\$ 254,088.28	\$ 213,812.35
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.	(570,366.84)	(221,475.44)	(131,717.82)
Revenues budgeted on cash basis not received until subsequent year	(199,505.92)		
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(13,630.69)		
	-	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,216,313.49</u>	<u>\$ 32,612.84</u>	<u>\$ 82,094.53</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,494,218.06	\$ 13,630.69	\$ 44,758.26
Differences-budget to GAAP:			
Expenditures budgeted on cash basis not paid and charged against budget until subsequent year	38,215.02	-	-
Expenditures budgeted on cash basis not paid and charged against expenditures in prior year	(210,161.90)	-	-
Transfers to other funds are inflows of budgetary resources but are not expenditures for financial reporting purposes	(114,731.09)	(13,630.69)	-
	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,207,540.09</u>	<u>\$ -</u>	<u>\$ 44,758.26</u>

**Supplementary Information**

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

Schedule 1

Assessments-2005 Tax Rolls	Assessed Valuation	Millage Rate	Tax
Realty	\$ 5,272,687		
Personalty	659,783		
Public Utility	435,010		
Auto and Mobile Home	1,688,092		
Total	8,055,572	80	\$ 644,446
Less: Homestead Exemption Credit			(78,515)
Net Ad Valorem Taxes			565,931
Other collections:			
Acutal Homestead Reimbursements			46,648
Prior year taxes, penalties & interest			57,562
Deductions:			
Sunflower County Tax Collectors Commission			(4,978)
Total Ad Valorem Taxes to be Accounted For			\$ 665,163
Collections:	Taxes	Homestead	Total
Allocated to:			
General Fund	\$ 486,894	\$ 40,234	527,128
Debt Service Fund	74,708	6,414	81,122
Total collections	\$ 561,602	\$ 46,648	608,250
Balance represented by:			
Unpaid property taxes			56,065
(Over)/under collections			848
Total Ad Valorem Taxes Accounted For			\$ 665,163

Ad Valorem tax assessments were found to be within the limitations of Sections 27-39-320 & 27-39-329 as follows:

<table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">\$</td> <td style="width: 15%;">552,205</td> <td style="width: 75%;">Base 2004-2005 (excluding debt service)</td> </tr> <tr> <td></td> <td style="border-bottom: 1px solid black;">55,221</td> <td>10% increase</td> </tr> <tr> <td style="border-bottom: 3px double black;">\$</td> <td style="border-bottom: 3px double black;">607,426</td> <td></td> </tr> </table>	\$	552,205	Base 2004-2005 (excluding debt service)		55,221	10% increase	\$	607,426		<table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">\$</td> <td style="width: 15%;">608,250</td> <td style="width: 75%;">Actual collections</td> </tr> <tr> <td></td> <td style="border-bottom: 1px solid black;">(74,708)</td> <td>Less: Applicable to Debt Service</td> </tr> <tr> <td></td> <td style="border-bottom: 1px solid black;">(46,648)</td> <td>Homestead Exemption</td> </tr> <tr> <td></td> <td style="border-bottom: 1px solid black;">120,532</td> <td>Reimbursement</td> </tr> <tr> <td></td> <td style="border-bottom: 1px solid black;">607,426</td> <td>Under limitation</td> </tr> <tr> <td style="border-bottom: 3px double black;">\$</td> <td style="border-bottom: 3px double black;">607,426</td> <td></td> </tr> </table>	\$	608,250	Actual collections		(74,708)	Less: Applicable to Debt Service		(46,648)	Homestead Exemption		120,532	Reimbursement		607,426	Under limitation	\$	607,426	
\$	552,205	Base 2004-2005 (excluding debt service)																										
	55,221	10% increase																										
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\$	608,250	Actual collections																										
	(74,708)	Less: Applicable to Debt Service																										
	(46,648)	Homestead Exemption																										
	120,532	Reimbursement																										
	607,426	Under limitation																										
\$	607,426																											

**City of Ruleville, Mississippi**  
**Schedule of Surety Bonds for City Officials**  
**September 30, 2006**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Shirley J Edwards	Mayor	MS Municipal Service Co	\$25,000
Johnny Hill	Aldersperson	MS Municipal Service Co	\$25,000
Mario Robinson	Aldersperson	MS Municipal Service Co	\$25,000
James Jenkins	Aldersperson	MS Municipal Service Co	\$25,000
Hattie Jordan	Aldersperson	MS Municipal Service Co	\$25,000
James Johnson	Aldersperson	MS Municipal Service Co	\$25,000
Edna Beverly	City Clerk	St Paul Travelers	\$50,000
Lenora Flakes	Deputy City Clerk	St Paul Travelers	\$25,000
John Downs	Administrative Assist.	St Paul Travelers	\$25,000
Carolyn Keyes	City Court Clerk	St Paul Travelers	\$10,000
	Police Chief	St Paul Travelers	\$50,000
	Police Dispatchers	St Paul Travelers	\$10,000
	City Policemen	St Paul Travelers	\$25,000

**OTHER REPORTS**

**EDMONDSON & BURCHFIELD, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

217 NORTH PEARMAN AVENUE • P.O. BOX 238  
CLEVELAND, MISSISSIPPI 38732

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

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ruleville, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the City of Ruleville's basic financial statements and have issued our report thereon dated December 10, 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 municipal compliance questionnaire was not completed and entered into the official minutes.  
  
**Recommendation:**  
The City should take steps necessary to ensure the municipal compliance questionnaire is entered into the minutes as required by statute.  
  
**Response:**  
The City agrees with the recommendation and will make sure the municipal compliance questionnaire is completed and entered in minutes.
2. **Finding:**  
The *Municipal Audit and Accounting Guide* describes requirements for accounting for fixed assets. The City currently maintains no comprehensive property accounting system to reflect a comprehensive record of all fixed assets owned by the City.  
  
**Recommendation:**  
The City should institute procedures to ensure that property records are maintained in accordance with the *Municipal Audit and Accounting Guide*.  
  
**Response:**  
We agree with the recommendation and are in the process of implementing such a system.
3. **Finding:**  
The *Municipal Audit and Accounting Guide* describes certain procedures to be applied to Municipal Courts. We were unable to obtain sufficient documentation to apply those procedures to the City's Municipal Court activity.

3. (continued)

**Recommendation:**

The City should make certain that the Municipal Court records are complete and in order.

**Response:**

We have requested the assistance in reviewing our Municipal Court and Police Department. This review is ongoing.

4. **Finding:**

Section 21-33-53 requires that various ad valorem tax collections be deposited into the appropriate funds. The City did not deposit the full amount of taxes designated for debt service into the debt service fund.

**Recommendation:**

The City should deposit all tax receipts into the appropriate funds.

**Response:**

We will review our procedures for handling tax collections to make sure collections are deposited into the appropriate funds.

5. **Finding:**

Section 21-39-7 outlines the elements required to be included in the municipal claims docket. The City's claims docket does not all of the required elements such as disbursement dates, warrant numbers, funds or departments charged, and function charged.

**Recommendation:**

The procedure for preparing the claims docket should be modified to ensure the required elements are included.

**Response:**

We are implementing a new accounting system which will provide a claims docket that includes all the required information.

6. **Finding:**

Section 21-35-13 requires that the Municipal Clerk prepare a budget report to be presented to the board at the regular meeting each month. These reports have not been prepared.

**Recommendation:**

The Municipal Clerk should prepare and present the required report.

**Response:**

We will make sure the required report is prepared and presented to the board.

7. **Finding:**

Section 83-1-37 describes restrictions on the use of municipal fire protection funds provided by the state. These funds are to be used only for improvement of the municipal fire department. The City transferred a portion of these funds to pay other expenses.

**Recommendation:**

The transferred funds should be replaced and no future expenditures of these funds should be made for other than the specified purpose.

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi  
Page 3

7. (continued)

**Response:**

The funds transfer was an error on our part and we will correct the situation.

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.

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.

This report is intended for the information of the Board of Aldermen, management, and the State Auditor's Office. However, this report is a matter of public record and its distribution is not limited.



Cleveland, Mississippi  
December 10, 2007