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**City of Rosedale**  
Financial Statements  
September 30, 2009

**Ellis & Hirsberg**  
Certified Public Accountants, PLLC  
Clarksdale, Mississippi



**CITY OF ROSEDALE, MISSISSIPPI  
TABLE OF CONTENTS  
SEPTEMBER 30, 2009**

INDEPENDENT AUDITORS' REPORT ..... 1

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES ..... 3

NOTES TO THE FINANCIAL STATEMENTS ..... 11

SUPPLEMENTAL INFORMATION

SCHEDULES

1. Schedule of Long-Term Debt ..... 18

2. Schedule of Surety Bonds ..... 19

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS* ..... 20

SCHEDULE OF FINDINGS ..... 22

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS ..... 23

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Rosedale, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Rosedale, Mississippi, as of and for the year ended September 30, 2009. This financial statement is the responsibility of the City of Rosedale, Mississippi's management. Our responsibility is to express an opinion on this financial statement 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 statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities. 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 opinion.

As described more fully in Note 1, the City of Rosedale, Mississippi has prepared their financial statements using accounting practices permitted by the Mississippi State Department of Audit, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Rosedale, Mississippi as of September 30, 2009, or changes in financial position or cash flows thereof for the year then ended. Further, the City has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each fund of the City of Rosedale, Mississippi as of September 30, 2009, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Rosedale, Mississippi taken as a whole. Schedules 1 - 2 are presented for the purposes of additional analysis and are not a required part of the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010 on our consideration of the City of Rosedale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "S. J. ...", is located to the right of the main text block.

October 1, 2010

EXHIBIT A

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
REVENUE RECEIPTS								
General Property Taxes	326,344	33,546	47,923			407,813		
Total General Property Taxes	326,344	33,546	47,923	0	0	407,813		0
License & Fees								
License & Permits	2,899						2,899	
Franchise Fees - Utilities	38,544						38,544	
Total License & Fees	41,443	0	0	0	0	41,443		0
State Grants								
Homestead Exemption Reimbursements	27,130	2,752	3,932			33,814		
Total State Grants	27,130	2,752	3,932	0	0	33,814		0
State Shared Revenues								
General Sales Tax	117,494					117,494		
Municipal Aid	1,258					1,258		

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Liquor Privilege License	1,350						1,350	
Motor Vehicle Fuel Taxes	6,335						6,335	
Grand Gulf	22,528						22,528	
<b>Total State Shared Revenues</b>	<b>148,965</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148,965</b>	<b>0</b>
Charge for Services								
Garbage				95,272			95,272	236,504
Water & Sewer							0	
<b>Total Charge for Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95,272</b>	<b>0</b>	<b>0</b>	<b>95,272</b>	<b>236,504</b>
Fines & Forfeits								
Police Fines, Traffic Tickets & Other	57,510						57,510	
Miscellaneous Revenues								
Other Revenues	67,358	4,304					71,662	19,200
Rents	7,599						7,599	
Interest Income		92	47				139	1,761
<b>Total Miscellaneous Revenues</b>	<b>74,957</b>	<b>4,396</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,400</b>	<b>20,961</b>

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Intergovernmental Revenues								
Federal Grants	33,796				425,356	459,152		
Total Intergovernmental Revenues	33,796	0	0	0	425,356	459,152	0	
Total Revenue Receipts	710,145	40,694	51,902	95,272	425,356	1,323,369	257,465	
<b>DISBURSEMENTS</b>								
General Government								
Legislative - City Council & Attorney								
Salaries & Employee Benefits	8,023					8,023		
Other Services & Charges	22,243					22,243		
Total Legislative - City Council & Attorney	30,266	0	0	0	0	30,266	0	
Financial & Administrative								
Salaries & Employee Benefits	50,963					50,963		
Insurance - General, Medical & Liability	73,165					73,165		
Repair, Maintenance & Supply	2,638					2,638		
Utilities & Telephone	7,251					7,251		
Travel & Training	1,545					1,545		

EXHIBIT A

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Miscellaneous Other	9,356						9,356	
Other Services & Charges	42,060						42,060	
Municipal Judge	9,600						9,600	
Election Expense	2,770						2,770	
Capital Outlay	5,307						5,307	
Interest	6,429						6,429	
<b>Total Financial &amp; Administrative</b>	<b>211,084</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>211,084</b>	<b>0</b>
<b>Public Safety - Police</b>								
Salaries & Employee Benefits	219,873						219,873	
Repair, Maintenance & Supply	8,343						8,343	
Utilities & Telephone	2,795						2,795	
Fuel	20,324						20,324	
Travel & Training	1,371						1,371	
Other Services & Charges	5,781						5,781	
State Treasurer	16,452						16,452	
Capital Outlay	54,160						54,160	
<b>Total Public Safety - Police</b>	<b>329,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>329,099</b>	<b>0</b>

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Public Safety - Fire								
Repair, Maintenance & Supply		1,880				1,880		
Utilities & Telephone		4,248				4,248		
Other Services & Charges		1,532				1,532		
Total Public Safety - Fire	0	7,660	0	0	0	7,660		Enterprise
Public Works								
Streets								
Salaries & Employee Benefits	35,593					35,593		
Repair, Maintenance & Supply	4,530					4,530		
Utilities & Telephone	55,472					55,472		
Total Streets	95,595	0	0	0	0	95,595		0
Garbage Disposal								
Garbage				119,395		119,395		
Cultural Recreation								
Parks								
Contract Services		2,400				2,400		
Repair, Maintenance & Supply		4,770				4,770		

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Total	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal	Federal Capital Projects		
Other Services & Charges		2,650				2,650	
Total Parks	0	9,820	0	0	0	9,820	0
Library Support		10,800				10,800	
Other Services & Charges		375				375	
Total Library	0	11,175	0	0	0	11,175	0
Debt Service							
Principal Interest & Fees			30,000			30,000	12,796
			10,041			10,041	38,945
Total Debt Service	0	0	40,041	0	0	40,041	51,741
Federal Expenditures							
CDBG - Water System Improvements					19,786	19,786	
Administration & Engineering Services					137,160	137,160	
Construction					268,410	268,410	
HOME Grant							
Total Federal Expenditures	0	0	0	0	425,356	425,356	0

EXHIBIT A

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Proprietary Fund								
Water & Sewer								
Salaries & Employee Benefits							0	73,988
Repair, Maintenance & Supply							0	40,231
Utilities							0	28,042
Contractual Services							0	16,569
Other Services								20,427
Capital Outlay							0	2,750
Total Water & Sewer	0	0	0	0	0	0	0	182,007
Total Disbursements	666,044	28,655	40,041	119,395	425,356	1,279,491	233,748	
Excess (Deficiency) of Receipts Over Disbursements	44,101	12,039	11,861	(24,123)	0	43,878	23,717	
OTHER FINANCING SOURCES & USES								
Operating Transfers In	36,500	2,875	1,000	20,000		60,375		
Tax Anticipation Loan	120,000					120,000		
Bank Loan	33,796					33,796		

EXHIBIT A

CITY OF ROSEDALE, MISSISSIPPI  
 STATEMENT OF CASH RECEIPTS & DISBURSEMENTS, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2009

	Governmental Fund Types					Federal Capital Projects	Memorandum Only 2009	Proprietary Fund Type
	General	Special Revenues	Debt Service	Garbage Disposal				
Operating Transfers Out	(23,875)		(14,000)				(37,875)	(22,500)
Repay Bank Loan	(33,796)						(33,796)	
Repay Tax Anticipation Note	(126,335)						(126,335)	
Excess (Deficiency) of Receipts and Other Sources Over (Under) Disbursements & Other Uses	50,391	14,914	(1,139)	(4,123)	0		60,043	1,217
Cash & Investment Balance - Beginning of Year	19,680	30,197	13,659	6,666	30		70,232	64,096
Cash & Investment Balance - End of Year	70,071	45,111	12,520	2,543	30		130,275	65,313

Notes to the financial statement are an integral part of this financial statement.

**CITY OF ROSEDALE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Rosedale was incorporated March 31, 1876, under the laws of the State of Mississippi. The City operates under a Mayor-City Council form of government, and provides the following services as authorized by its charter: public safety (police and fire), streets and highways, sanitation, culture-recreation, public improvements, planning, zoning, water and sewer services and general administrative services.

**Reporting Entity** - This report includes all of the funds of the City of Rosedale. The City has developed criteria to determine whether outside agencies or authorities with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, and accountability for fiscal matter, scope of public service and special financing relationships. No component unit was identified for inclusion or potential inclusion utilizing the criteria indicated.

**Basis of Presentation - Fund Accounting** - The accounts of the City of Rosedale are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its revenues/receipts and expenditures/disbursements. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

**Basis of Accounting** - All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information.

The following funds are used by the City:

**Governmental Fund Types:**

**General Fund** - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

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

**Special Revenue Fund** - The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for specific purposes.

**Federal Capital Project Fund** - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities.

**Garbage Disposal** - This fund reflects only revenues and expenses attributed to garbage disposal.

**Proprietary Fund Types:**

**Enterprise Funds** - These funds account for operations that are organized to be self-supporting through user charges. Included in this category is the Water and Sewer Fund.

**Budgetary Data** - Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for governmental and proprietary funds. For governmental funds, receipts are budgeted on the cash basis.

Expenditures are also budgeted on the cash basis of accounting. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects.

All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

**Cash** - Cash in excess of current requirements is invested in various interest-bearing bank deposits and disclosed as part of the City's cash and investment balance when applicable.

**Revenues and Expenditures/Expenses** - Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

**Property Tax Revenues** - Property taxes are levied on January 1 based on the assessed value of property per the County Tax Bills. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are received.

**Encumbrances** - The City of Rosedale does not use encumbrance accounting.

**Total Columns** - The Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities includes a total column that is described as memorandum only. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with receipts and disbursements basis of accounting, as recommended by the Mississippi State Department of Audit. Interfund transactions have not been eliminated from the total column of this financial statement.

## **NOTE 2 - PROPERTY TAXES**

The City uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1. The millage rate for the City for the fiscal year ended September 30, 2009 was 66 mills for general purposes, 13 mills for bond and interest, 2 mills for the library maintenance, 2 mills for maintaining parks, playgrounds, and recreational purposes, 3 mills for the municipal fire department.

## **NOTE 3 - PENSION PLAN**

**Plan Description.** The City of Rosedale contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit 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 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 Rosedale is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by State of Mississippi Legislature. The City of Rosedale's contributions to PERS for the years ending September 30, 2009, 2008 and 2007, were \$32,248, \$35,811, and \$37,989, respectively, equal to the required contributions for each year.

**NOTE 4 - CHANGES IN LONG-TERM DEBT**

General long-term debt at September 30, 2009, was comprised of the following:

	<u>General Obligation</u>
Bonds & Notes Payable at 10-1-08 Issued	180,000
Retirements	<u>30,000</u>
 Bonds & Notes Payable at 9-30-09	 <u>150,000</u>

Long-term bonds and notes payable at September 30, 2009, are comprised of the following individual issues:

A. General Obligation Bonds

\$500,000, 1993 Road Improvement Bonds, maturing 2013. 5.1523% interest payable semi-annually on March 1 and September 1. Principal maturities on September 1.	<u>150,000</u>
 Total	 <u>150,000</u>

Long-term debt at September 30, 2009, in the Enterprise Fund is comprised of the following:

	<u>Revenue Bonds</u>
Bonds Payable at October 1, 2008 Repayment	813,224 <u>(12,796)</u>
Bonds Payable at September 30, 2009	<u>800,428</u>

Bonds payable at September 30, 2009, are comprised of the following issues:

A. Revenue Bonds

\$75,800, 1982 Combined Water and Sewer System bonds, due in monthly installments of \$394.80 through November 4, 2017, interest at 5% for the purpose of improving the water and sewer system.	5,602
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\$135,000, 1988 Combined Water and Sewer System bonds, due in monthly installments of \$703.13 through March 10, 2023. Interest at 5% for the purpose of improving water and sewer system 80,227

\$736,500, 2004 Combined Water and Sewer System bonds, due in annual installments of \$43,269.37 beginning August 4, 2007 and ending August 4, 2039, inclusive, with interest only due on August 4, 2005 and August 4, 2006. Interest is at a 4.5% rate. 714,599

Total 800,428

The annual requirements to amortize all long-term debt outstanding as of September 30, 2009, are as follows:

<u>Year Ending September 30.</u>	<u>Debt Service</u>		<u>Enterprise Fund</u>		<u>Total Principal &amp; Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	35,000	8,398	20,430	36,014	99,842
2011	35,000	6,569	21,417	35,028	98,014
2012	40,000	4,711	22,450	33,994	101,155
2013	40,000	2,581	23,534	32,910	99,025
2014			24,670	31,774	56,444
2015 - 2019			113,343	141,231	254,574
2020 - 2024			97,434	118,913	216,347
2025 - 2029			121,969	94,378	216,347
2030 - 2034			152,681	63,666	216,347
2035 - 2039			202,500	25,223	227,723
Totals	<u>150,000</u>	<u>22,259</u>	<u>800,428</u>	<u>613,131</u>	<u>1,585,818</u>

There are a number of limitations and restrictions contained in the revenue bond ordinances. There are requirements that a reserve account be maintained as follows:

	<u>Amount of Reserve Requirement At 9-30-09</u>	<u>Amount of Reserve At 9-30-09</u>
Note payable Farm Service Agency		
#93-01	\$38,000	\$38,000
93-03	6,300	6,489
93-02	4,740	527

**NOTE 5 - INVESTMENTS**

The only investment of the City consists of Certificates of Deposit and is of the type authorized by State statutes. As of September 30, 2009 certificates of deposit were as follows:

1.60% Water Deposit Fund	10,000
1.60% Water & Sewer Bond	38,000
3.25% Bond Cushion	<u>6,489</u>
Total	<u>54,489</u>

**NOTE 6 - CASH AND OTHER DEPOSITS**

The carrying amount of the City's deposits with financial institutions was \$195,588 and the bank balance was \$259,077.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by Federal Depository Insurance Corporation.

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

**NOTE 7 - 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. Except as described below, the City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally

binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay any claim up to \$750,000 for police and fire fighters and \$500,000 on all others. For a claim exceeding \$750,000 for police and fire fighters and \$500,000 on all others, MMWCG has reinsurance. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

The City is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers liability claims against the City. Each member of the MMLP contributes to a fund held in trust account. The funds held in the trust account are used to pay claims of \$500,000 for torts and \$1,000,000 on federal claims. The City has not had an additional assessment for excess losses.

**NOTE 8 - BANK NOTES**

On July 25, 2008, \$126,335 was borrowed from State Bank and Trust Company as a tax anticipation note for operating purposes. \$125,000 was disbursed to the City after a loan fee of \$1,335. This note has a 7.50% interest rate and was outstanding as of September 30, 2008. This note was fully paid off during the current fiscal year.

On March 18, 2009, \$121,285 was borrowed from State Bank and Trust Company as a tax anticipation note for operating purposes. \$120,000 was disbursed to the City after a loan fee of \$1,285. This note has a 7.5% interest rate and was outstanding as of September 30, 2009.

**NOTE 9 - ECONOMIC DEPENDENCY**

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

CITY OF ROSEDALE, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
SEPTEMBER 30, 2009

Issue Date	Description	Balance 10-1-08	Transactions During Fiscal Year		Balance Outstanding 9-30-09
			Issued	Redeemed	
<u>General Obligation Bonds</u>					
9-1-93	Road Improvement Bond	180,000		30,000	150,000
<u>Revenue Bonds</u>					
11-4-82	Combined Water & Sewer System Bond	9,142		3,540	5,602
3-10-88	Combined Water & Sewer System Bond	85,273		5,046	80,227
8-4-04	Combined Water & Sewer System Bond	<u>718,809</u>		<u>4,210</u>	<u>714,599</u>
	<u>Subtotal</u>	<u>813,224</u>	<u>0</u>	<u>12,796</u>	<u>800,428</u>
	<u>Total</u>	<u>993,224</u>	<u>0</u>	<u>42,796</u>	<u>950,428</u>

CITY OF ROSEDALE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS  
SEPTEMBER 30, 2009

<u>Name and Position</u>	<u>Surety</u>	<u>Amount</u>
Carey G. Estes Mayor	MS Municipal Bond Program C/O Scott Insurance Agency	50,000
Jasanda Love City Clerk	CNA Surety	81,000
Tarsha C. Lewis Deputy / Police Clerk	CNA Surety	81,000
Isaac Morris Police Chief	CNA Surety	25,000
Tracey Lee Robinson Councilman	MS Municipal Bond Program C/O Scott Insurance Agency	50,000
Gregory Johnson Councilman	MS Municipal Bond Program C/O Scott Insurance Agency	50,000
Lucille Mayfield Councilwoman	MS Municipal Bond Program C/O Scott Insurance Agency	50,000
Jerry Jones Councilman	MS Municipal Bond Program C/O Scott Insurance Agency	50,000

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

Honorable Mayor and City Council  
City of Rosedale  
Rosedale, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Rosedale, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated October 1, 2010. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rosedale, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We considered the deficiencies described in the accompanying Schedule of Findings as Finding 09-1 through 09-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Rosedale, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we consider the significant deficiency described above in Finding 09-1 through 09-2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rosedale, Mississippi's Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



October 1, 2010

**CITY OF ROSEDALE, MISSISSIPPI**

Schedule of Findings  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

09-1 Finding:

There is a lack of segregation of duties in the City Clerk's office. Internal accounting controls of the City of Rosedale are inadequate because of a lack of segregation of duties due to limited personnel and limited funding. Good internal controls call for the segregation of duties between the performance, approval and record keeping of a transaction. This finding was reported in the prior year.

Recommendation:

An evaluation of the internal control structure of the City of Rosedale, Mississippi to determine a workable and economically feasible improvement in the internal control structure.

Response:

The City of Rosedale, Mississippi is unable to hire additional employees to properly segregate the duties due to the limited funding resources of a small municipality.

09-2 Finding:

The person responsible for the City of Rosedale's accounting and reporting function lacks the skills and knowledge to prepare financial statements with full disclosures.

Recommendation:

Evaluate the abilities of the current staff of the City of Rosedale and provide continuing education when available to enhance the knowledge of the staff.

Response:

The City of Rosedale is unable to upgrade their personnel to a skill level necessary to eliminate this finding due to limited funding resources.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Honorable Mayor and City Council  
City of Rosedale, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Rosedale, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated October 1, 2010. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information other than MD&A (Budgetary Reporting), and other Supplemental Information. 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.

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 an opinion.

The results of the procedures and our audit of the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations are as follows:

Finding:

The City did not comply with Section 21-39-9 Mississippi Code Annotated (1972), which requires that all claims should be paid in the order of their entry in the claims docket.

Recommendation:

We strongly suggest that the City comply with Section 21-39-9, Mississippi Code Annotated (1972).

Response:

The City will comply with this requirement in the future.

Finding:

The City did not comply with Section 99-19-73 Mississippi Code Annotated (1972), which requires that all state-imposed court assessments collected be settled on a monthly basis.

Recommendation:

We strongly suggest that the City comply with Section 99-19-73, Mississippi Code Annotated (1972).

Response:

The City will comply with this requirement in the future.

These items will be reviewed in subsequent audits to determine that corrective action has been taken.

This report is intended for the information of the Mayor and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "CPD PUM".

October 1, 2010