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City of Ruleville

Phone (662) 756-2791
Fax (662) 756-4590

Ms. Shirley J. H. Edwards, Mayor
Mrs. April L. Marks, City Clerk

January 12, 2018

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

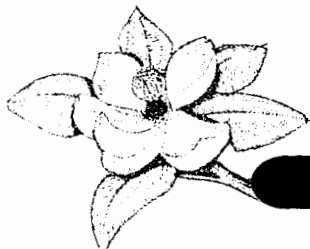
Aldermen:
Mr. Billy Marlow
Mr. James (Butch) Jenkins
Mr. Jay Nash
Mr. Marvin Hawkins
Mr. Eddie Childs

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the City of Ruleville, Mississippi, for the fiscal year ended September 30, 2012. In connection with this audit, a separate management letter was written to the city. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,

Mayor



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

The City with a Personality



EDMONDSON & BURCHFIELD, PLLC

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

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

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Phone (662) 846-6631 • Fax (662) 846-6632

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 governmental activities, the business-type activities, and each major fund of the City of Ruleville, Mississippi, for the year ended September 30, 2012, in accordance with auditing standards general accepted in the United States of America, we considered the City of Ruleville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weakness or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we identified the following deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses:

- The City's administrative staff is too small to provide for the segregation of normally incompatible financial functions. Effective internal control requires adequate segregation of financial duties and internal reviews of financial data and reports. The chances that errors or fraud may occur in amounts that would be material in relation to the financial statements and not be detected and corrected are increased by this condition.
- We noted that several critical financial statement accounts such as the inter-fund activity accounts had not been reconciled on a current basis. This condition substantially reduces the chances that errors could be detected and corrected in a timely manner. It also potentially reduces the reliability of the financial information furnished to you.
- Management did not prepare the financial statements and related disclosures. Internal control over financial reporting is generally enhanced when the financial statements and related disclosures are prepared by management. You have elected to have the financial

statements and related disclosures prepared by us subject to management's review and approval.

- The City needs to improve its system for retention of financial records, including the general ledger and related journals.
- The City also needs to improve its system for retention of source documentation related to expenditures and expenses. There were disbursements for which we requested the original supporting documentation that the City was not able to furnish. Some documentation had to be obtained from the original source.
- The City maintains its revenues on a cash basis of accounting as this most closely matches the accounting required for budgetary purposes. However, for financial reporting purposes, the City is required to convert its cash basis records to the accrual basis of accounting. As part of the conversion to the accrual basis, adjustments must be made for changes in receivables, recognition of deferred tax revenues and other matters. These adjustments are frequently significant and materially change the information reported in the financial statements to those recorded in the general ledger. We also proposed material financial statement adjustments to record depreciation expense on the Water and Sewer Enterprise Fund as well as reclassification of debt service expenditures.
- We noted there were few documented controls over the collection and deposit of police fines. Control procedures in this area need to ensure that all tickets are accounted for and the flow of information through the court system and collection is properly documented, and that all collections are properly deposited. We also noted that the amount of fine collections decreased from the previous year.

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

Edwards & Benfield

November 30, 2017



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

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CLEVELAND, MISSISSIPPI 38732

Phone (662) 846-6631 • Fax (662) 846-6632

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CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2017

To the Board of Aldermen
City of Ruleville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Ruleville for the year ended September 30, 2012, and have issued our report thereon dated November 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U S Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U S generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

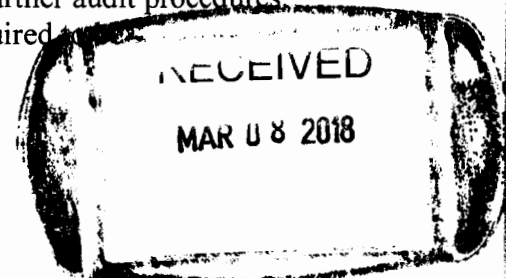
Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In planning and performing our audit, we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. We have communicated any internal control related matters that are required to be communicated under professional standards.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Ruleville are described on Note 1 to the financial statements. As described in Note 1 to the financial statements, the City of Ruleville changed its accounting related to equity reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* in the year ended September 30, 2011. We noted no transactions entered into by the government during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility the future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Governmental Activities and Major Governmental Funds:

- The estimate of the allowance for property taxes that will not be collected.
- The estimate that the mortgage note receivable in the special revenue fund will be collected.

Business-type Activities and Major Proprietary Funds:

- The estimate of the allowance for water bills that will not be collected and the estimate of the useful lives of long-term fixed assets for calculation of depreciation expense for the water fund.

Difficulties Encountered in Performing the Audit

Other than those noted in the internal control report, related to issues with the availability of documentation, we encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Recording depreciation expense in the water fund.
2. Reclassifying debt service payments from expenditures to liability reductions.
3. Adjustments to correct double postings and other account errors.
4. Adjustments to correct inter-fund transactions and transactions with the clearing accounts.
5. Adjustments to reclassify grant funds.
6. Adjustments to property taxes receivable and deferred revenues.

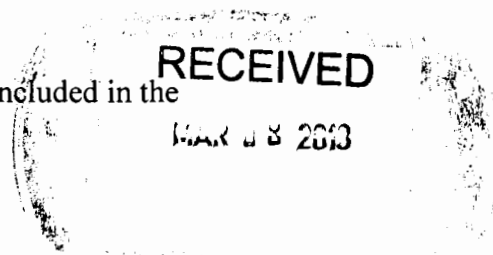
Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.



Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements; our professional standards require the consulting accountant to check with us to determine that the consultant has the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We have communicated certain findings related to deficiencies in internal control in our letter to you and management dated November 30, 2017.

We also noted other matters involving internal controls we want to bring to your attention, which are described below.

We encourage you to give increased attention to the documentation related to purchases. In this area, the documentation in some cases included no evidence that the goods or services purchased were actually received. We also encourage you to adopt a system to ensure ready access to all documentation related to purchases such as purchase orders, original invoices, bids or quotations, etc.

We encourage you to continue with the corrective action plan approved to monitor the water losses based on water pumped from City wells to the water billed to customers. Positive operating results are critical to the City’s ability to maintain the system and provide water and sewer services in a cost-effective manner. The loan agreements with Rural Development also require the City to do regular rate studies.

We suggest more attention be given to reconciling inter-fund accounts. Those accounts were out of balance and we spent a considerable amount of time reconciling those accounts.

We noted instances where the time lapse between the collection of monies and the deposit in the bank account would be considered excessive. We suggest that you implement and enforce a policy that requires that receipts be deposited intact on a daily or other short time basis.

We also noted that it did not appear that the receipts issued for property tax collections were prepared at the time of collection. Items such as the receipts being in alphabetical order for a given day suggest that they were prepared after collection. If this is the case, this situation could compromise one of the controls used to determine that all collections are deposited intact and timely.

We encourage you to address the amounts owed to the City from unpaid taxes, delinquent water accounts, and uncollected fines. For example, the taxes assessed but not collected for the 2011-2012 year alone was approximately \$85,000.00 and there were approximately \$63,000 in water accounts that were over 60 days old. Given the size of your yearly budget, these delinquencies represent a significant drain on the City's resources.

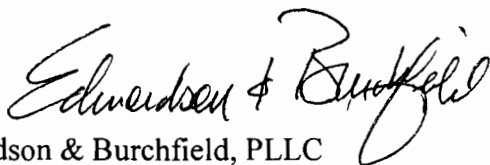
There are legal remedies to the uncollected property taxes that you may wish to pursue and we encourage you to consult with your legal counsel about those remedies. If you believe that taxpayers are paying county taxes to avoid the county land sale, but neglecting to pay city taxes, you may want to consider the possibility of contracting with the county to collect your property taxes.

The City's internal controls in did not identify a number of areas where audit adjustments were proposed to the financial statement information. Material financial statement adjustments should be identified as part of the City's internal procedures. The number of audit adjustments we proposed was significantly larger than we would consider normal for an engagement of this type.

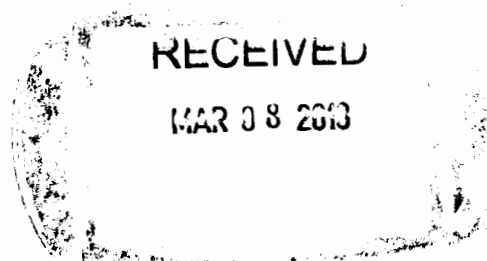
We encourage you to adopt a set of policies and procedures to address the fiscal operations of the City. This would help to ensure that processes such as cash collections and deposits, purchasing, accounts payable, budgetary reporting, and other procedures are clearly defined, consistently followed, and subject to adequate oversight.

This information is intended solely for the use of the Board of Aldermen and management of City of Ruleville and is not intended and should not be used by anyone other than these specified parties.

Sincerely,



Edmondson & Burchfield, PLLC



CITY OF RULEVILLE, MISSISSIPPI

Financial Statements

For the Year Ended September 30, 2012



EDMONDSON & BURCHFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
Cleveland, Mississippi

**City of Ruleville, Mississippi
Financial Statements
For the Fiscal Year Ended September 30, 2012**

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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, each major fund, and the remaining aggregate remaining fund information of the City of Ruleville, Mississippi as of and for the year ended September 30, 2012, 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.

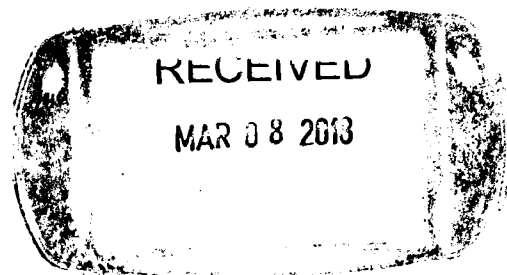
Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 \$9,217,069.75 in the statement of net assets. We were also unable to satisfy ourselves as to the \$100,034.01 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.

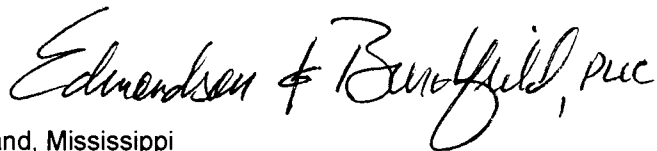
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain complete fixed asset records, and for the failure to record depreciation on the assets used in governmental activities of the City, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruleville, Mississippi, as of September 30, 2012, 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 25-28, 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 require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruleville's basic financial statements. The financial information listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Ruleville, Mississippi. This information is the responsibility of management and was derived from and relate directly to the underlying financial and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Edmondson & Benfield, P.C." in a cursive style.

Cleveland, Mississippi
November 30, 2017

City of Ruleville, Mississippi
Statement of Net Assets
September 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 793,852.69	\$ 453,049.52	\$ 1,246,902.21
Receivables(net)	786,972.08	63,840.07	850,812.15
Investments	-	-	-
Restricted Assets			
Cash	-	65,559.43	65,559.43
Mortgage note receivable	399,165.00	-	399,165.00
Due from other funds	-	71,933.43	71,933.43
Deferred charges	-	6,945.33	6,945.33
Capital assets, net of depreciation	6,625,389.85	2,591,679.90	9,217,069.75
Total assets	\$ 8,605,379.62	\$ 3,253,007.68	\$ 11,858,387.30
Liabilities			
Accounts payable and accrued expenses	\$ 69,559.47	\$ 43,749.86	\$ 113,309.33
Accrued interest payable	-	1,347.92	1,347.92
Deferred revenue	524,852.00	-	524,852.00
Customer deposits	-	50,657.51	50,657.51
Due to other funds	66,752.67	5,180.31	71,932.98
Note payable	700.75	-	700.75
Other	-	33,692.45	33,692.45
Long-term liabilities			
Due within one year	-	44,853.39	44,853.39
Due in more than one year	-	430,153.08	430,153.08
Total liabilities	661,864.89	609,634.52	1,271,499.41
Net assets			
Invested in capital assets, net of related debt	6,625,389.85	2,116,673.43	8,742,063.28
Restricted for:			
Debt Service	40,889.76	-	40,889.76
Fire protection	237,361.25	-	237,361.25
Housing	399,165.00	-	399,165.00
Revenue bond retirement	-	18,628.68	18,628.68
Grant activity	-	46,930.75	46,930.75
Unrestricted	640,708.87	461,140.30	1,101,849.17
Total net assets	\$ 7,943,514.73	\$ 2,643,373.16	\$ 10,586,887.89

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

City of Ruleville, Mississippi
Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ (180,792.82)	\$ 16,157.47	\$ -	\$ -	\$ (164,635.35)	-	\$ (164,635.35)
Public safety	(569,684.50)	70,982.58	3,000.00	-	(495,701.92)	-	(495,701.92)
Public works	(315,279.33)	-	24,483.78	-	(290,795.55)	-	(290,795.55)
Culture and recreation	(116,189.65)	-	-	-	(116,189.65)	-	(116,189.65)
Court	(49,437.19)	-	-	-	(49,437.19)	-	(49,437.19)
Interest on long-term debt	-	-	-	-	-	-	0.00
Total governmental activities	(1,231,383.49)	87,140.05	27,483.78	-	(1,116,759.66)	-	(1,116,759.66)
Business-type activities:							
Water & sewer	(465,721.59)	546,446.08	-	25,058.65	-	105,783.14	105,783.14
Total business-type activities	(465,721.59)	546,446.08	-	25,058.65	-	105,783.14	105,783.14
Total primary government	(1,697,105.08)	633,586.13	27,483.78	25,058.65	(1,116,759.66)	105,783.14	(1,010,976.52)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					702,376.72	-	702,376.72
Franchise taxes					84,780.73	-	84,780.73
Intergovernmental revenues					344,535.70	-	344,535.70
Interest					2,828.57	1,624.00	4,452.57
Transfers					(36,421.00)	36,421.20	0.20
Miscellaneous					22,503.76	-	22,503.76
Total general revenues					1,120,604.48	38,045.20	1,158,649.68
Change in net assets					3,844.82	143,828.34	147,673.16
Net assets-beginning					7,939,669.91	2,524,544.82	10,464,214.73
Prior period adjustment					-	(25,000.00)	(25,000.00)
Net assets-ending					\$ 7,943,514.73	\$ 2,643,373.16	\$ 10,586,887.89

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

City of Ruleville, Mississippi
Balance Sheet
Governmental Funds
September 30, 2012

Exhibit 3

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and other deposits	535,759.91	\$ 232,051.52	\$ -	\$ 26,041.26	\$ 793,852.69
Receivables					
Taxes	851,096.76	-	-	-	851,096.76
Allowance for uncollectibles	(126,075.57)	-	-	-	(126,075.57)
Franchise Fees	12,983.17	-	-	-	12,983.17
Intergovernmental	40,864.25	8,103.47	-	-	48,967.72
Other	-	-	-	-	-
Mortgage note receivable	-	399,165.00	-	-	399,165.00
Restricted assets:					-
Cash and other deposits	-	-	-	-	-
Due from other funds	44,792.99	-	40,889.76	-	85,682.75
Total assets	\$ 1,359,421.51	\$ 639,319.99	\$ 40,889.76	\$ 26,041.26	\$ 2,065,672.52
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 64,074.77	\$ 1,478.71	\$ -	\$ -	\$ 65,553.48
Note payable	700.75	-	-	-	700.75
Accrued personal services	2,888.47	-	-	1,117.52	4,005.99
Due to other funds	124,220.37	1,315.03	-	26,900.02	152,435.42
Deferred revenue	723,249.29	-	-	-	723,249.29
Total liabilities	915,133.65	2,793.74	-	28,017.54	945,944.93
Fund balance					
Nonspendable	-	-	40,889.76	-	40,889.76
Reserved for housing	-	399,165.00	-	-	399,165.00
Reserved for fire protection	-	237,361.25	-	-	237,361.25
Assigned to other purposes	-	-	-	(1,976.28)	(1,976.28)
Unassigned	444,287.86	-	-	-	444,287.86
Total equity and other credits	444,287.86	636,526.25	40,889.76	(1,976.28)	1,119,727.59
Total liabilities, equity, and other credits	\$ 1,359,421.51	\$ 639,319.99	\$ 40,889.76	\$ 26,041.26	

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	6,625,389.85
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds	
Deferred revenues recognized in the funds on the modified accrual basis of accounting differ from those recognized on the accrual basis	198,397.29
Other	-
	\$ 7,943,514.73

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, 2012

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 669,817.03	\$ -	\$ -		\$ 669,817.03
Licenses and permits	90,654.07	-	-		90,654.07
Intergovernmental	348,245.55	23,773.93	-		372,019.48
Fines and forfeits	70,982.58	-	-		70,982.58
Interest earned	1,039.00	1,628.15	-	161.42	2,828.57
Miscellaneous	32,687.89	-	-	100.00	32,787.89
Total revenues	<u>1,213,426.12</u>	<u>25,402.08</u>	<u>-</u>	<u>261.42</u>	<u>1,239,089.62</u>
Expenditures:					
Current:					
General government	180,514.82	-	-	278.00	180,792.82
Public safety					
Police	550,935.78	-	-	-	550,935.78
Fire	19,008.67	9,383.86	-	-	28,392.53
Public works	380,875.06	-	-	-	380,875.06
Culture & recreation	120,358.32	-	-	-	120,358.32
Court	49,437.19	-	-	-	49,437.19
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,301,129.84</u>	<u>9,383.86</u>	<u>-</u>	<u>278.00</u>	<u>1,310,791.70</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(87,703.72)</u>	<u>16,018.22</u>	<u>-</u>	<u>(16.58)</u>	<u>(71,702.08)</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	(36,421.20)	-	-	-	(36,421.20)
Total other financing sources (uses)	<u>(36,421.20)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,421.20)</u>
Net change in fund balances	(124,124.92)	16,018.22	-	(16.58)	(108,123.28)
Fund balance, October 1	568,412.78	620,508.03	40,889.76	(1,959.70)	1,227,850.87
Fund balance, September 30	<u>\$ 444,287.86</u>	<u>\$ 636,526.25</u>	<u>\$ 40,889.76</u>	<u>\$ (1,976.28)</u>	<u>\$ 1,119,727.59</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, 2012

Net changes in fund balances - total governmental funds \$ (108,123.28)

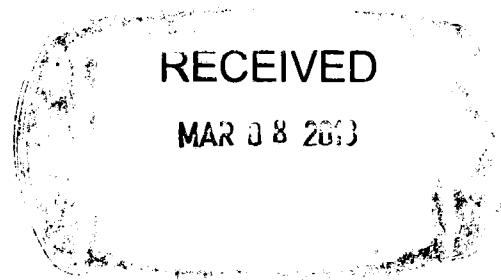
Amounts reported for governmental activities in the statement of activities are different because:

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. 79,408.21

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 32,559.89

Proceeds from a capital lease provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal on a capital lease is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded receipts. -

Change in net assets of governmental activities \$ 3,844.82



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

City of Ruleville, Mississippi
Statement of Net Assets
Proprietary Fund
September 30, 2012

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 453,049.52
Investments	-
Restricted cash and cash equivalents	65,559.43
Receivables, net	63,840.07
Total current assets	<u>582,449.02</u>
Noncurrent assets:	
Capital assets	
Property and equipment	4,839,079.27
Less accumulated depreciation	<u>(2,247,399.37)</u>
	2,591,679.90
Due from governmental funds	71,933.43
Deferred charges	6,945.33
Total noncurrent assets	<u>2,670,558.66</u>
Total assets	<u>\$ 3,253,007.68</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 43,749.86
Interest payable	1,347.92
Customer deposits	50,657.51
Capital lease obligation	-
Due to other funds	5,180.31
Bonds and loans payable	44,853.39
Unearned grant revenue	33,692.45
Total current liabilities	<u>179,481.44</u>
Noncurrent liabilities:	
Bonds and loans payable	<u>430,153.08</u>
Total noncurrent liabilities	<u>430,153.08</u>
Total liabilities	<u>609,634.52</u>
Net assets	
Invested in capital assets, net of related debt	2,116,673.43
Restricted for debt service	18,628.68
Restricted by grant agreement	46,930.75
Unrestricted	461,140.30
Total net assets	<u>\$ 2,643,373.16</u>

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, 2012

	<u>Water and Sewer Enterprise Fund</u>
Operating revenues:	
Charges for sales and services	<u>\$ 546,446.08</u>
Operating expenses:	
Personal services	73,247.05
Supplies	62,254.24
Other services and charges	210,843.90
Depreciation and amortization	100,301.14
Total operating expense	<u>446,646.33</u>
Operating income (loss)	<u>99,799.75</u>
Non-operating revenues (expenses)	
Interest revenue	1,624.00
Interest expense	(19,075.26)
Government grants	25,058.65
Total non-operating revenues (expenses)	<u>7,607.39</u>
Income (loss) before other revenues and transfers	107,407.14
Operating transfers in (out)	<u>36,421.20</u>
Increase (decrease) in net assets	143,828.34
Total net assets, October 1	2,524,544.82
Prior period adjustment	(25,000.00)
Total net assets, September 30	<u><u>\$ 2,643,373.16</u></u>

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

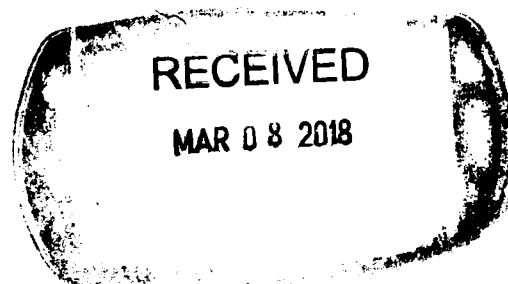
City of Ruleville, Mississippi
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2012

	<u>Water and Sewer Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 548,412.01
Payments to suppliers	(269,077.98)
Payments to employees	(73,247.05)
Net cash provided (used) by operating activities	<u>206,086.98</u>
Cash flows from Noncapital Financing Activities:	
Advances from other funds	12,500.00
Operating transfers from other funds	36,421.20
	<u>48,921.20</u>
Cash Flows from Capital and Related Financing Activities:	
Repayments of debt	(42,542.14)
Issuance from new debt	46,641.00
Grant proceeds	-
Purchase of fixed assets	(84,499.65)
Payments on capital lease	-
Interest paid on long-term debt	(19,127.06)
Net cash provided (used) for capital and related financing activities	<u>(99,527.85)</u>
Cash Flows from Investing Activities:	
Interest	1,624.76
Purchase of investments	(63.59)
Net cash provided (used) by investing activities	<u>1,561.17</u>
Net increase (decrease) in cash and cash equivalents	157,041.50
Cash and Cash Equivalents, October 1	361,567.45
Cash and Cash Equivalents, September 30	<u>\$ 518,608.95</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 99,799.75
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	100,301.14
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,563.51)
Increase (decrease) in accounts payable	4,020.16
Increase (decrease) in other liabilities	-
Increase (decrease) in water deposits	6,529.44
Net cash provided (used) by operating activities	<u>\$ 206,086.98</u>

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

City of Ruleville, Mississippi
Statement of Net Assets
Fiduciary Funds
September 30, 2012

	<u>Agency Fund</u>
Assets	
Receivables	\$ 9,769.80
Due from other funds	2,442.46
Total assets	<u>\$ 12,212.26</u>
Liabilities	
Due to State of Mississippi	9,769.80
Due to other funds	2,442.46
Total liabilities	<u>\$ 12,212.26</u>



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

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The City of Ruleville, Mississippi is incorporated under the laws of the State of Mississippi and operates under the Code Charter form of government. The City's major operations include public works and general administration services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

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

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

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

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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, such as fire protection funds (other than debt service or 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.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The 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.

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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, there may be restricted, committed, assigned, or unassigned fund balances available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by committed, assigned, and then by unassigned fund balances.

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 deposit or investment policies.

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

Cash and Cash Equivalents

The 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.

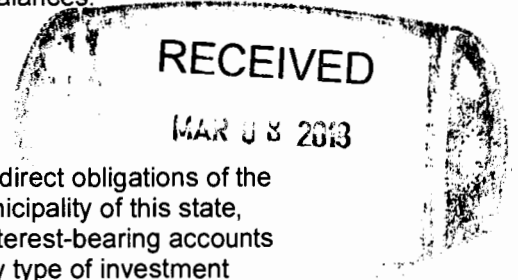
For the purposes of the statement of cash flows of the business-type activities, the City considers certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired.

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 of the succeeding year. 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 Sunflower County Tax Collector. The millage rate for the City for 2011 taxes was 80 mills. The distribution of taxes to funds was in accordance with prescribed tax levies, and uncollected taxes were properly handled.



CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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 by the business type activities of the City are depreciated using the straight-line method.

When capital assets are disposed of, 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:

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

Capital assets used in governmental activities are not depreciated as required by accounting principles generally accepted in the United States of America.

Budgets

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for the general, special revenue, debt service 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

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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.

Defining Operating Revenues and Expenses

The City's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the City's water and sewer fund consists of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Interfund Activity

Interfund activity is reported either as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Government-wide and Proprietary Fund Net Assets

Government-wide and Proprietary Fund Net Assets are divided into three components:

- Invested in capital assets, net of related debt-consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets-consist of net assets that are restricted by the City's creditors (for example through debt covenants), by the state enabling legislation, by grantors, and by other contributors.
- Unrestricted-all other net assets are reported in this category.

Fund Balances in Fund Financial Statements

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Governmental fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. The following are descriptions of the various fund classifications.

Non-spendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in spendable form (such as inventories, prepaid amounts, or long-term portions of loans or notes receivable) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed on the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the government's intention to be used for specific purposes, but which are neither restricted nor committed.

Unassigned fund balance is the residual classification for the general fund. This classification represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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 to be 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.

Note 3 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 and collateral, custodial credit risk is considered to be minimal.

As of September 30, 2012, the carrying amount of the City's bank deposits was \$1,312,461.64 and the respective bank balances totaled \$ 1,346,184.91 Of the bank balance, \$708,752.17 was insured through federal depository insurance, and the balance was collateralized by the State of Mississippi collateral pool.

Note 4 Receivables

Enterprise Receivables and Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services and are due the month after billing.

Water accounts	\$ 161,740.26
Allowance for uncollectible accounts	<u>(97,900.19)</u>
Net receivables	<u>\$ 63,840.07</u>

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

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 4 Receivables (continued)

Governmental Receivables and Allowance for Uncollectible Accounts

Property taxes	\$ 296,244.76
Property taxes-subsequent year	554,852.00
Sunflower County-Motor vehicle taxes	8,021.65
Franchise tax	12,983.17
Intergovernmental	40,946.07
	<u>913,047.65</u>
Allowance for uncollectible taxes	<u>(126,075.57)</u>
	<u>\$ 786,972.08</u>

The City does not believe that all delinquent property taxes will be collected within the next year.

Note 5 Intergovernmental Receivables

Amounts of intergovernmental receivables at September 30, 2012 include the following:

State of Mississippi-Sales tax	\$ 30,988.81
State of Mississippi-grants	1,710.00
Sunflower County-fire funds	8,103.47
Sunflower County-taxes	143.79
	<u>\$ 40,946.07</u>

Note 6 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.

The scheduled payments on this note have not been made to date. The City Attorney has researched the issue and determined that the note remains valid. Additional action is anticipated to begin collection per the note document.

Note 7 Restricted Assets – Cash

A summary of restricted cash balances at September 30, 2012 follows:

Proprietary Fund

Bond cushion, depreciation, and contingency account	\$ 18,628.68
Grant funds account	46,930.75
	<u>\$ 65,559.43</u>

18 RECEIVED

MAR 30 2013

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 7 Restricted Assets – Cash (continued)

Special Revenue Fund

Municipal fire protection	\$ 148,482.10
Municipal fire protection - certificates of deposit	<u>83,569.42</u>
	<u>\$ 232,051.52</u>

Amounts included as "reserved for revenue bond retirement" at September 30, 2012, 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 Required	Amount Reserved as of 9-30-12
Bond Cushion	\$ 2,446.20	\$ 16,182.48
Bond Contingent	1,223.10	1,223.10
Bond Depreciation	1,223.10	1,223.10
Total	\$ 4,892.40	\$ 18,628.68

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

	Total Amount Required	Amount Reserved as of 9-30-12
Bond Cushion	\$ 34,730.50	\$ -
Bond Contingent	17,365.25	-
Bond Depreciation	17,365.25	-
Total	\$ 69,461.00	\$ -

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

Note 8 Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance 10/1/2011	Increases	Decreases	Balance 9/30/2012
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 90,212.00	\$ -	\$ -	\$ 90,212.00
Buildings and improvements	2,576,547.00	-	-	2,576,547.00
Fixtures and equipment	1,673,713.29	46,604.58	-	1,720,317.87
Streets	492,801.45	32,803.63	-	525,605.08
Sewer System	781,363.90	-	-	781,363.90
Industrial Land	26,133.00	-	-	26,133.00
Industrial Buildings	905,211.00	-	-	905,211.00
Total capital assets not being depreciated	\$ 6,545,981.64	\$ 79,408.21	\$ -	\$ 6,625,389.85
Governmental activity capital assets, net	\$ 6,545,981.64	\$ 79,408.21	\$ -	\$ 6,625,389.85

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 8 Capital Assets (continued)

Business-type activities: Water & Sewer

Capital assets not being depreciated:

Land	\$ 33,807.00	-	-	\$ 33,807.00
Construction in progress	300,387.92	84,499.65	-	384,887.57
Total capital assets not being depreciated	<u>334,194.92</u>	<u>84,499.65</u>	-	<u>418,694.57</u>

Capital assets being depreciated:

Water system and equipment	4,420,384.70	-	-	4,420,384.70
Total capital assets being depreciated	<u>4,420,384.70</u>	-	-	<u>4,420,384.70</u>
Less accumulated depreciation for:				
Water system and equipment	2,147,365.36	100,034.01	-	2,247,399.37
Total accumulated depreciation	<u>2,147,365.36</u>	<u>100,034.01</u>	-	<u>2,247,399.37</u>
Total capital assets being depreciated, net	2,273,019.34	(100,034.01)	-	2,172,985.33
Business-type activities capital assets, net	<u>\$ 2,607,214.26</u>	<u>\$ (15,534.36)</u>	\$ -	<u>\$ 2,591,679.90</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water & Sewer	<u>\$ 100,034.01</u>
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Assets acquired under capital leases:

Governmental activities	<u>\$ 6,040.00</u>	
Business-type activities	<u>\$ -</u>	(net of \$6,040 amortization)

Note 9 Long-Term Obligations

Revenue Bonds. The City issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Long-term liability activity for the year ended September 30, 2012 was as follows:

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable:					
Water and sewer debt	\$ 470,907.61	\$ 46,641.00	\$ (42,542.14)	\$ 475,006.47	\$ 44,853.39
	<u>\$ 470,907.61</u>	<u>\$ 46,641.00</u>	<u>\$ (42,542.14)</u>	<u>\$ 475,006.47</u>	<u>\$ 44,853.39</u>

Water Revenue Bonds-USDA Rural Development

Balance

\$87,000 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.	\$ 64,861.15
\$337,000 Water Improvement Revenue Bond dated February 28, 2003. Maturity date is February 28, 2038. Interest rate is 4.5%. Interest and principal payable in monthly installments of \$1,654.	\$ 294,170.32

State of Mississippi Revolving Loan

\$495,368 Revolving Loan from State of Mississippi. Maturity date is April, 2014. Interest rate is 4%. Interest and principal payable in monthly installments of \$3,035.10 per month. Payments are withheld from the City's sales tax reimbursements.	\$ 44,334.00
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CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 9 Long-Term Obligations (continued)

State of Mississippi Revolving Loan

\$166,382 Revolving Loan from State of Mississippi. Maturity date is May, 2033. Interest rate is 1.75%. Interest and principal payable in monthly installments of \$833.78 scheduled to begin July, 2013. Payments are to be withheld from the City's sales tax reimbursements. \$ 71,641.00

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

Interest expense of \$19,075.26 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, 2012 are as follows:

Business-type activities:

Fiscal Year Ending

September 30	Interest	Principal	Total
2013	17,342.34	44,326.86	61,669.20
2014	15,848.17	18,505.17	34,353.34
2015	15,343.13	9,904.87	25,248.00
2016	14,787.25	10,369.75	25,157.00
2017	14,391.50	10,856.50	25,248.00
2018-2022	63,816.69	62,423.31	126,240.00
2023-2027	47,718.18	78,521.82	126,240.00
2028-2032	27,925.72	88,081.12	116,006.84
2033-2037	8,524.07	80,376.07	88,900.14
	<u>\$ 225,697.05</u>	<u>\$ 403,365.47</u>	<u>\$ 629,062.52</u>

Note 10 Short-term obligations

Short-term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Note payable:				
Bank loan	\$ 49,101.17	\$ -	\$ (48,400.42)	\$ 700.75
	<u>\$ 49,101.17</u>	<u>\$ -</u>	<u>\$ (48,400.42)</u>	<u>\$ 700.75</u>

The short-term debt was issued for the purchase of police vehicles. It is secured by a certificate of deposit.

Note 11 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.

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CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 12 Solid Waste Disposal

The City has contracted with Waste Management of North Mississippi to provide residential garbage collection and disposal. The monthly rate at September 30, 2012 was \$10,361.

Note 13 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 9.00% of their annual covered salary and the City of Ruleville is required to contribute at an actuarial determined rate. The current rate is 14.26% 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, 2010, 2011 and 2012, were \$67,060.69, \$60,080.49, and \$71,750.33 respectively, equal to the required contributions for each year.

Note 14 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.

The City entered an agreement with the Mississippi Commission on Environmental Quality for construction of mandated improvements to the City's sewer system. The final agreement calls for total funding of \$663,403 less a subsidy of \$497,021, leaving a loan amount of \$166,382. See note 10 for more information on this loan.

Note 15 Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Note 16 Deficits in Non-major Funds

The Capital Projects Fund has a \$2,442.45 deficit fund balance.
The Payables Clearing Fund has a \$2,037.31 deficit fund balance.

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 17 Due To/From Other Funds

As of September 30, 2012, interfund receivables and payables resulting from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund		
Due from Enterprise Fund	\$ -	\$ 70,346.95
Due to Debt Service Fund	-	40,889.76
Due from Payables Clearing	28,115.50	-
Due from Payroll Clearing	911.38	-
Due from Agency Fund	2,442.45	-
Due from Special Revenue Fund	340.00	-
Special Revenue Fund		
Due to Payables Clearing	-	975.03
Due to General Fund	-	340.00
Payables Clearing		
Due to General Fund	-	28,178.33
Due from Enterprise Fund	5,243.14	-
Due from Special Revenue Fund	975.03	-
Due to Payroll Clearing	227.31	-
Payroll Clearing		
Due to General Fund	-	911.38
Due to Enterprise Fund	-	1,586.48
Due from Payables Clearing	-	227.31
Enterprise Fund		
Due from General Fund	70,346.95	-
Due to Payables Clearing	-	5,180.31
Due from Payroll Clearing	1,586.48	-
Debt Service Fund		
Due from General Fund	40,889.76	-
Capital Projects Fund		
Due to Agency Fund	-	2,442.45
Agency Fund		
Due from Capital Projects Fund	2,442.45	-
Due to General Fund	-	2,442.45
	\$ 153,520.45	\$ 153,520.45

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 18 Changes to Previously Issued Financial Statements

The beginning fund balance of the Enterprise Fund was decreased by \$25,000.00 to reflect loan proceed previously recorded as grant revenue.

CITY OF RULEVILLE, MISSISSIPPI
Notes to Financial Statements

Note 19 Financial Instruments

Off-Balance-Sheet Risk

The City is not a party to any financial instruments which have off-balance-sheet risk of accounting loss.

Significant Group Concentrations of Credit Risk

The City's exposure to credit risk arises from amounts held in certificates of deposit, demand deposit accounts, savings accounts, and various receivables. The maximum amount of loss from credit risk is the carrying value of those financial instruments.

The collateral requirements for bank deposits are set by state statutes and include FDIC insurance and pledges of certain state and federal securities as part of the State collateral pool. The receivables, including amounts due from the State of Mississippi, are not collateralized.

Note 20 Subsequent Events

Subsequent events were evaluated through November 30, 2017 which is the date the financial statements were available to be issued.

The City subsequently completed the project for extension of the City's water system to areas not previously serviced. The additional construction costs of \$261,943.20 were financed with a combination of grants from various sources.

The City re-financed its short-term bank loan after year end and borrowed additional funds to purchase equipment.

The Rural Development Administration has directed the City to resolve the deficit in funding the reserve account described in Note 8.

The City received approval from the Mississippi Public Service Commission to extend its water system to certain areas outside the City.

Required Supplementary Information

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Required Supplementary Information
City of Ruleville, Mississippi
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 300,000.00	\$ 300,000.00	\$ 587,974.31	\$ 287,974.31
Resources (inflows)				
Property taxes	726,500.00	726,500.00	667,848.45	(58,651.55)
Licenses and permits	128,684.00	128,684.00	91,408.90	(37,275.10)
Federal Grants	-	-		0.00
State Grants	23,500.00	23,500.00	25,591.25	2,091.25
Intergovernmental	234,500.00	234,500.00	305,043.18	70,543.18
Local Grants	36,000.00	36,000.00	23,016.26	(12,983.74)
Fines & forfeits	85,000.00	85,000.00	70,982.58	(14,017.42)
Miscellaneous	21,175.00	21,175.00	30,605.99	9,430.99
Transfers from other funds	-	-		0.00
Amounts available for appropriation	<u>1,555,359.00</u>	<u>1,555,359.00</u>	<u>1,802,470.92</u>	<u>247,111.92</u>
Charges to appropriations (outflows)				
General government	216,350.00	216,350.00	173,390.92	42,959.08
Public Safety				
Police	615,405.00	615,405.00	550,442.24	64,962.76
Fire	17,576.00	17,576.00	19,008.67	(1,432.67)
Public works	302,527.00	302,527.00	380,875.06	(78,348.06)
Court	84,169.00	84,169.00	48,237.19	35,931.81
Culture & recreation	149,413.00	149,413.00	119,936.32	29,476.68
Transfers to other funds	-	-	36,421.20	(36,421.20)
Total charges to appropriations	<u>1,385,440.00</u>	<u>1,385,440.00</u>	<u>1,328,311.60</u>	<u>57,128.40</u>
Budgetary fund balance, September 30	<u>\$ 169,919.00</u>	<u>\$ 169,919.00</u>	<u>\$ 474,159.32</u>	<u>\$ 304,240.32</u>

Required Supplementary Information
City of Ruleville, Mississippi
Budgetary Comparison Schedule-Special Revenue Fund
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 215,000.00	\$ 215,000.00	\$ 599,245.37	\$ 384,245.37
Resources (inflows)				
Intergovernmental	23,600.00	23,600.00	23,773.93	173.93
Grants	-	-	-	-
Other	200.00	200.00	1,628.15	1,428.15
Amounts available for appropriation	238,800.00	238,800.00	624,647.45	385,847.45
Charges to appropriations (outflows)				
Public safety				
Other	-	-	-	-
Capital outlay	10,000.00	10,000.00	9,383.86	616.14
Transfer to other funds	-	-	-	-
Total charges to appropriations	10,000.00	10,000.00	9,383.86	616.14
Budgetary fund balance, September 30	<u>\$ 228,800.00</u>	<u>\$ 228,800.00</u>	<u>\$ 615,263.59</u>	<u>\$ 386,463.59</u>

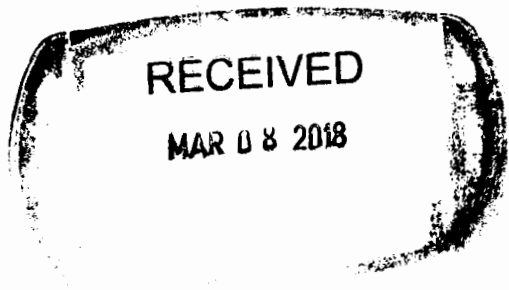
Required Supplementary Information
City of Ruleville, Mississippi
Budgetary Comparison Schedule-Debt Service Fund
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ -	\$ -	\$ 40,889.76	\$ 40,889.76
Resources (inflows)				
Property taxes	-	-	-	0.00
Interest	-	-	-	0.00
Other	-	-	-	0.00
	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00</u>
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>40,889.76</u>	<u>40,889.76</u>
Charges to appropriations (outflows)				
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,889.76</u>	<u>\$ 40,889.76</u>

**Required Supplementary Information
City of Ruleville, Mississippi
Notes to Budgetary Comparison Schedule**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,802,470.92	\$ 624,647.45	\$ -
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.	(587,974.31)	(599,245.37)	-
Revenues budgeted on cash basis not received until subsequent year	(1,070.49)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	-	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,213,426.12</u>	<u>\$ 25,402.08</u>	<u>\$ -</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,328,311.60	\$ 9,383.86	\$ -
Differences-budget to GAAP:			
Expenditures budgeted on cash basis not paid and charged against budget until subsequent year	9,239.44	-	-
Expenditures budgeted on cash basis not paid and charged against expenditures in prior year	-	-	-
Transfers to other funds are inflows of budgetary resources but are not expenditures for financial reporting purposes	(36,421.20)	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,301,129.84</u>	<u>\$ 9,383.86</u>	<u>\$ -</u>



Supplementary Information

City of Ruleville, Mississippi
Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2012

Schedule 1

Assessments-2011 Tax Rolls	Assessed Valuation	Millage Rate	Tax
Realty	\$ 6,208,811		
Personalty	1,292,930		
Public Utility	407,464		
Auto and Mobile Home	1,510,195		
Total	9,419,400	80	\$ 753,552
Less: Homestead Exemption Credit			(89,245)
Net Ad Valorem Taxes			664,307
Other collections:			
Acutal Homestead Reimbursements			44,120
Prior year taxes, penalties & interest			100,689
Deductions:			
Collector's Commissions			(4,848)
Total Ad Valorem Taxes to be Accounted For			\$ 804,268
Collections:	Taxes	Homestead	Total
Allocated to:			
General Fund	\$ 674,862	\$ 44,120	718,982
Debt Service Fund	-	-	-
Total collections	\$ 674,862	\$ 44,120	718,982
Balance represented by:			
Unpaid property taxes			85,269
(Over)/under collections			17
Total Ad Valorem Taxes Accounted For			\$ 804,268

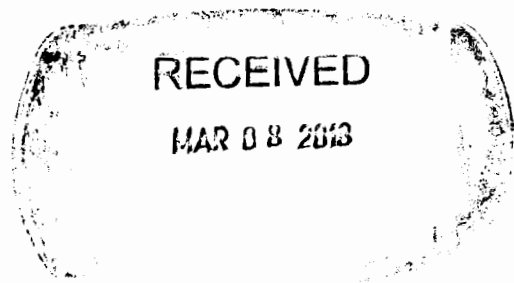
Ad Valorem tax assessments were found to be within the limitations of Sections 27-39-320 & 27-39-329 as follows:

\$ 745,241	Base 2010-2011 (excluding debt service)	\$ 718,982	Actual collections
74,524	10% increase	-	Less: Applicable to Debt Service
\$ 819,765		(44,120)	Homestead Exemption Reimbursement
		\$ 674,862	

**City of Ruleville, Mississippi
Schedule of Surety Bonds for City Officials
September 30, 2012**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Shirley J Edwards	Mayor	Travelers	\$50,000
Marvin Hawkins	Aldersperson	Travelers	\$50,000
Jay Nash	Aldersperson	Travelers	\$50,000
James Jenkins	Aldersperson	Travelers	\$50,000
Jo Anne Frothingham	Aldersperson	Travelers	\$50,000
Billy Marlow	Aldersperson	Travelers	\$50,000
	City Clerk	Travelers	\$50,000
	Deputy City Clerk	Travelers	\$50,000
	Administrative Assist.	Travelers	\$50,000
	City Court Clerk	Travelers	\$50,000
	Police Chief	Travelers	\$50,000
	Public Works Director	Travelers	\$50,000
	Police Dispatchers	Travelers	\$50,000
	City Policemen	Travelers	\$25,000

OTHER REPORTS



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

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

EDMONDSON & BURCHFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Phone (662) 846-6631 • Fax (662) 846-6632

AMERICAN INSTITUTE OF
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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, 2012, which collectively comprise the City of Ruleville's basic financial statements and have issued our report thereon dated November 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 has no complete 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 have completed a property inventory of the City's fixed assets and are in process of completing the additional information required such as purchase dates and costs, or estimates of cost where applicable.

3. 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 were prepared but did not appear to contain accurate expenditure information.

Recommendation:

The Municipal Clerk should prepare and present the required report and ensure that the information contained in the report is accurate.

Response:

We began the implementation of this report and will continue to improve that process and the accuracy and completeness of the information presented to the board.

4. Finding:

Section 31-7-305 requires that a check be issued in payment of invoices within 45 days of the receipt of such invoice. We noted instances in which payment occurred more than 45 days after the date of the invoice.

Recommendation:

The City should amend its purchasing procedures to ensure that invoices are paid in a timely manner.

Response:

A majority of our invoices for purchases of goods and services are paid on time. We occasionally encounter problems with the timing of payments usually due to the length of time between receipt of an invoice and the next board meeting where payment would be approved.

5. Finding:

Section 21-15-33 requires that the minutes of each board meeting be signed by the mayor and certified by the municipal clerk. We noted instances where the minutes of a meeting were not signed by both parties.

Recommendation:

The City should take steps to ensure that the minutes are signed as required.

Response:

We were not aware of this oversight, but will review future minutes to ensure that they are signed as required by statute.

6. Finding:

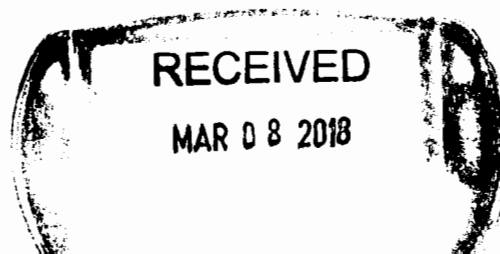
Section 21-35-17 prohibits expenditures in excess of budget appropriations. We noted expenditures in excess of budget line items in the general and special revenue funds.

Recommendation:

The City should take additional precautions to ensure that budget estimates are not exceeded, and that the budget is amended when necessary.

Response:

We will review our procedures regarding budget reporting and review. We believe our new accounting system will help us in this area.



10. **Finding:**

Section 21-35-31 requires that audits be completed before the close of the succeeding fiscal year. The audit was not completed within the prescribed timeline.

Recommendation:

The City should make the records available to complete the audits within the prescribed timeline.

Response:

We have new personnel in place to work on our books, and are working to get our audits caught up.

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
November 30, 2017

