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Town of Lula
Financial Statements
September 30, 2004

Ellis & Hirsberg, CPA's
Certified Public Accountants
Clarksdale, Mississippi

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ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying combined Statement of Cash Receipts and Disbursements - All Fund Types of the Town of Lula for the year ended September 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying statement of Cash Receipts and Disbursements - All Fund Types and, accordingly, do not express an opinion or any other form of assurance on it.

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the combined Statement of Cash Receipts and Disbursements - All Fund Types is not intended to present results of operations, in conformity with generally accepted accounting principles.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, the financial statement is not designed for those who are not informed about such matters.

The supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of management of the Town of Lula, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

January 17, 2005

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Proprietary Fund	Memorandum Totals 9/30/04
<u>Revenue Receipts</u>			
Ad Valorem Taxes - Current	22,455		22,455
Penalties & Interest on Delinquent Taxes	319		319
Franchise Tax - Utility	6,739		6,739
Privilege License	225		225
Share of Gaming - Coahoma County	42,300	12,470	54,770
Ad Valorem Taxes - Prior	302		302
Intergovernmental Revenues:			
State Shares Revenues:			
Sales Tax	54,236		54,236
Gasoline Tax	994		994
Alcoholic Beverage License	900		900
Municipal Aid	193		193
Fire Aid	1,581		1,581
Grand Gulf	2,899		2,899

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Memorandum Totals 9/30/04</u>
Charges for Service:			
Water Fees		34,886	34,886
Sewer Fees		13,608	13,608
Garbage Fees		15,948	15,948
Other Receipts:			
Rents	2,175		2,175
Interest Earned	2,642		2,642
Miscellaneous	945	672	1,617
Operating Transfers	<u> </u>	<u>18,808</u>	<u>18,808</u>
<u>Total Receipts</u>	138,905	96,392	235,297
Cash: Beginning of Year	<u>330,536</u>	<u>45,693</u>	<u>376,229</u>
Total Amount to Account For	<u><u>469,441</u></u>	<u><u>142,085</u></u>	<u><u>611,526</u></u>

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Proprietary Fund	Memorandum Totals 9/30/04
<u>Disbursements</u>			
Financial & Administrative			
Salaries & Wages	15,173		15,173
Other Services & Charges	14,354		14,354
Public Safety - Police			
Salaries & Wages	27,000		27,000
Other Services & Charges	13,368		13,368
Public Safety - Fire			
Other Services & Charges	1,581		1,581
Public Property			
Streets & Structures	7,579		7,579

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Proprietary Fund	Memorandum Totals 9/30/04
Public - Health			
Mosquito Control	24,400		24,400
Other	2,044	1,702	3,746
Housing			
Insurance & Taxes	970		970
Water Department			
Salaries & Wages		41,669	41,669
Other Services & Charges		25,436	25,436
Sewer Department			
Salaries & Wages		5,200	5,200
Other Services & Charges		13,281	13,281
Sanitation			
Garbage Pickup		13,751	13,751

**TOWN OF LULA, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Proprietary Fund	Memorandum Totals 9/30/04
<u>Other</u>			
Operating Transfers	18,808		18,808
Loan Repayment	3,023		3,023
Capital Outlay	<u>1,662</u>		<u>1,662</u>
<u>Total Disbursements</u>	129,962	101,039	231,001
Cash: End of Year	<u>339,479</u>	<u>41,046</u>	<u>380,525</u>
<u>Total Amount Accounted For</u>	<u><u>469,441</u></u>	<u><u>142,085</u></u>	<u><u>611,526</u></u>

See the accompanying notes to financial statements.

**TOWN OF LULA, MISSISSIPPI
SELECTED DISCLOSURES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

Note 1 - Significant Accounting Policies

A. Reporting Entity

In evaluating and defining the Town's government it was found that the Town has no component units and therefore was considered as one unit.

B. Accounting

The Town uses funds to report its cash receipts and disbursements. Fund accounting is used to demonstrate legal compliance by segregating transactions related to specific government functions.

The Town uses two fund classifications of funds: general government and proprietary. Each fund has a separate balanced set of accounts.

The general government funds are used to account for all the Town's general activities and includes the accounting for fixed assets and general long-term debt.

The proprietary funds are used to account for activities where net income or net loss is determined as if operating in a competitive environment.

C. Basis of Accounting

The financial statements are prepared using the cash receipts and disbursements method of accounting as prescribed by the Office of the State Auditor. Revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred.

D. Cash Deposits

The Town deposits all its funds in financial institutions selected by the Board of Aldermen that are insured by the Federal Deposit Insurance Corporation (FDIC).

E. The total (memorandum only) column in this financial statement is presented for overview information purposes and is not meant to present fairly the cash receipts and disbursements on a consolidated basis.

Note 2 - Ad Valorem Tax

The Town uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the millage is set in September of each year. The Town clerk bills property owner for the ad valorem tax in December of each year. They are due on January 1 and become delinquent after February 1. The taxes levied for the year ending September 30, 2004 was 21 mills.

Auto taxes are collected and remitted to the Town by the Coahoma County tax collector.

Note 3 - Long-Term Debt

The Town has a non-interest bearing note payable to the State of Mississippi which had a balance due of \$1,511 at September 30, 2004. This note is repaid by a deduction of \$252 from sales tax revenues due to the Town each month. The total annual payments due are as follows:

_____ FYE 9-30-2005	1,511
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Note 4 - Cash And Other Deposits

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 the Federal Depository Insurance Corporation.

The carrying amount of the Town's deposits with financial institutions was \$380,325 and the bank balance was \$380,928.

**TOWN OF LULA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

<u>Definitions & Purpose</u>	<u>Balance Outstanding 10-1-03</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding 9-30-04</u>
		<u>Issued</u>	<u>Redeemed</u>	
Other Long-Term Debt	4,534		3,023	1,511
Notes Payable - State of MS				

See accountants' compilation report.

**TOWN OF LULA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2004**

<u>Name</u>	<u>Term</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Alice H. Middleton	7/3/01 - 05	Mayor	Employees Mutual Casualty Co.	14,000
Walter R. Barbee	11/1/03 - 11/01/04	Town Clerk	Zurich North America	50,000
Theodis Ore	11/8/03 - 11/08/04	Town Marshal	Western Surety	50,000

See accountants' compilation report.

**SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR
 SMALL MUNICIPALITIES (TOWNS)**

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

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Lula, Mississippi, as of September 30, 2004, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Lula, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Delta Southern Bank	General	67,719
Delta Southern Bank - Certificate	General	68,435
Delta Southern Bank	General	13,027
Delta Southern Bank	General	116,847
Delta Southern Bank	General	<u>73,251</u>
<u>Total General Fund</u>		<u>339,279</u>
Delta Southern Bank	Proprietary	<u>41,046</u>
<u>Total All Funds</u>		<u><u>380,325</u></u>

2. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year.
 - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
 - b. Examined uncollected taxes for proper handling, including tax sales;
 - c. Traced distribution of taxes collected to proper funds; and
 - d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Mississippi Code Annotated (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Mississippi Code Annotated (1972).

3. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Ledger Amount</u>
Liquor Privilege Tax	900
Sales Tax Allocation	54,236
Fire Protection Allocation	1,581
General Municipal Aid	193
Gasoline Tax	994
Homestead Exemption Reimbursement	2,214
Payments - Nuclear Plant	<u>2,899</u>
 <u>Total</u>	 <u>63,017</u>

4. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Mississippi Code Annotated (1972), as applicable.

The sample consisted of the following:

Number of Sample Items	45
Total Dollar Value of Sample	\$9,587

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

5. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1 and 2 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Lula, Mississippi, for the year ended September 30, 2004.

Ellis & Hirsberg

By: _____, Partner

January 17, 2005