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**CITY OF RIPLEY, MISSISSIPPI**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

**CITY OF RIPLEY, MISSISSIPPI**

**Comprehensive Annual Financial Report**  
For the Year Ended September 30, 2007

**Elected Officials**

Mike Harrison  
Sherill McCoy  
Randy Windham  
Gilroy Bails  
Wade Crawford  
Bonnie Caviness

Mayor  
Ward 1  
Ward 2  
Mayor, Pro-Tem, Ward 3  
Ward 4  
At Large

# **CITY OF RIPLEY, MISSISSIPPI**

## **Comprehensive Annual Financial Report For the Year Ended September 30, 2007**

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**CITY OF RIPLEY, MISSISSIPPI**

**Comprehensive Annual Financial Report  
For the Year Ended September 30, 2007**

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# LINDSEY, DAVIS AND ASSOCIATES

CHARLES L. DAVIS, JR.  
CERTIFIED PUBLIC ACCOUNTANT  
STOCKHOLDER

DEAN GAVINESS  
CERTIFIED PUBLIC ACCOUNTANT  
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MEMBER:  
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen  
City of Ripley, Mississippi  
Ripley, MS 38663

We have audited the accompanying financial statements of the governmental activities and business-type activities of the City of Ripley, Mississippi, as of and for the year ended September 30, 2007, 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 Ripley's management. Our responsibility is to express opinions on these financial statements based on our audit.

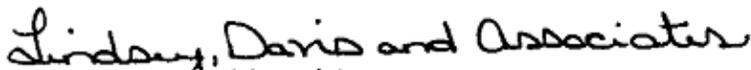
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Ripley, Mississippi as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2008, on our consideration of the City of Ripley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 34 through 36, are not a required part of the basic financial statements, but are 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Ripley's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ripley, Mississippi. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

  
Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
May 5, 2008

CITY OF RIPLEY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007

As management of the City of Ripley, Mississippi, we offer readers of the City's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the City for the fiscal year ended September 30, 2007.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the 2007 fiscal year by \$16,411,250. Of this amount, \$4,214,637 may be used to meet the City of Ripley's ongoing obligations to citizens and creditors.
- The City's total debt is \$1,785,961.

### **Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector enterprise.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those functions that are mainly supported through charges to the consumer (*business-type activities*). The City's gas, water, and sewer utilities are business-type activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

In the fund financial statements, each of the City's major funds is presented in a separate column. The distinction between governmental type activities and proprietary type activities is maintained through the presentation of separate statements for these two types of funds. The major governmental fund presented is the City's General Fund. The City's Gas Fund and Water and Sewer Fund are presented as major funds in the Statement of Net Assets - Proprietary Funds, the Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds, and the Statement of Cash Flows - Proprietary Funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds include Enterprise Funds and Internal Service Funds. Enterprise Funds are used for those activities which are financed, primarily, by charges to users and customers.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

#### Condensed Data - Governmental and Business-type Activities

City of Ripley, Mississippi  
Net Assets  
September 30, 2007

	Governmental Activities	Business-type Activities	2007 Total	2006 Total
Current and Other Assets	\$ 1,062,741	\$ 3,788,860	\$ 4,851,601	\$ 4,476,980
Capital Assets, Net	4,093,469	9,889,102	13,982,571	12,876,066
<b>Total Assets</b>	<b>5,156,210</b>	<b>13,677,962</b>	<b>18,834,172</b>	<b>17,353,046</b>
Current and Other Liabilities	204,738	615,103	819,841	715,153
Long-term Liabilities	—	1,603,081	1,603,081	1,789,608
<b>Total Liabilities</b>	<b>204,738</b>	<b>2,218,184</b>	<b>2,422,922</b>	<b>2,504,761</b>
Invested in Capital Assets	4,093,469	8,103,144	12,196,613	10,913,822
Unrestricted	858,003	3,356,634	4,214,637	3,934,463
<b>Total Net Assets</b>	<b>\$ 4,951,472</b>	<b>\$ 11,459,778</b>	<b>\$ 16,411,250</b>	<b>\$ 14,848,285</b>

Capital assets include the depreciated cost of the City's buildings, land, infrastructure (streets, drainage, lighting and signals), vehicles, equipment and furnishings. Capital assets, net of the outstanding debt incurred to acquire them, comprises 74% of the City's total net assets. The remaining, unrestricted net assets may be used by the governing authority to provide future services.

City of Ripley, Mississippi  
Changes in Net Assets  
For the Year Ended September 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Services	\$ 435,867	\$ 7,110,501	\$ 7,546,368	\$ 9,759,854
Operating Grants and Contr.	136,450		136,450	89,758
Capital Grants and Contr.	966,248	560,150	1,526,398	352,988
<b>General Revenues:</b>				
Property Taxes	261,952		261,952	262,173
Sales Taxes	1,323,896		1,323,896	1,127,517
Franchise Taxes	226,566		226,566	201,455
Road Tax	122,535		122,535	158,960
Other Taxes	16,043		16,043	15,930
Interest	24,918	68,537	93,455	69,313
Other	53,107	4,180	57,287	62,743
<b>Total Revenues</b>	<u>3,567,582</u>	<u>7,743,368</u>	<u>11,310,950</u>	<u>12,100,691</u>
<b>Expenses:</b>				
General Government	694,912		694,912	525,798
Public Safety	901,520		901,520	918,036
Public Works	802,129		802,129	774,323
Parks and Recreation	238,372		238,372	226,625
Water and Sewer Service		1,324,893	1,324,893	1,316,383
Gas Service		5,786,159	5,786,159	8,388,945
<b>Total Expenses</b>	<u>2,636,933</u>	<u>7,111,052</u>	<u>9,747,985</u>	<u>12,150,110</u>
Increase in Net Assets	930,649	632,316	1,562,965	(49,419)
Net Assets - Beginning of Year	4,020,823	10,827,462	14,848,285	13,968,495
Prior Period Adjustment				<u>929,209</u>
Net Assets - End of Year	<u>\$ 4,951,472</u>	<u>\$ 11,459,778</u>	<u>\$ 16,411,250</u>	<u>\$ 14,848,285</u>

**Governmental Activities**

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (37%), grants and contributions (31%), charges for services (12%) and property taxes (7%).

The largest expense categories for the City's governmental activities are public works (30%) and public safety (34%).

Table 1 presents the revenues of the City's governmental activities, and Table 2 presents the cost of each of the functions of the City's governmental activities. Table 3 presents the revenues of the City's business-type activities.

Table 1  
Revenues by Source - Governmental Activities

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
Charges for Services	\$ 435,867	12.2%	\$ 442,616	17.3%
Grants and Contributions	1,102,698	31.0%	302,385	11.8%
Property Taxes	261,952	7.3%	262,173	10.2%
Road Tax	122,535	3.4%	158,960	6.2%
Sales Taxes	1,323,896	37.1%	1,127,517	44.0%
Franchise Taxes	226,566	6.4%	201,455	7.9%
Other Taxes	16,043	0.4%	15,930	0.6%
Interest	24,918	0.7%	15,037	0.6%
Other	53,107	1.5%	37,082	1.4%
	<u>\$ 3,567,582</u>	<u>100.0%</u>	<u>\$ 2,563,155</u>	<u>100.0%</u>

Table 2  
Expenses by Function - Governmental Activities

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
General Government	\$ 694,912	26.4%	\$ 525,798	21.5%
Public Safety	901,520	34.2%	918,036	37.5%
Public Works	802,129	30.4%	774,323	31.7%
Parks and Recreation	238,372	9.0%	226,625	9.3%
	<u>\$ 2,636,933</u>	<u>100.0%</u>	<u>\$ 2,444,782</u>	<u>100.0%</u>

Table 3  
Revenues by Source - Business-type Activities

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
Gas Charges for Services	\$ 5,698,706	73.6%	\$ 8,167,040	85.6%
Water and Sewer Charges for Services	1,411,795	18.2%	1,150,198	12.0%
Grants and Contributions	560,150	7.2%	140,361	1.5%
Interest	68,537	0.9%	54,276	0.6%
Other	4,180	0.1%	25,661	0.3%
	<u>\$ 7,743,368</u>	<u>100.0%</u>	<u>\$ 9,537,536</u>	<u>100.0%</u>

## **Business-type Activities**

Business-type activities increased the City's net assets by \$632,316. Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues, as a percentage of total revenue, are comprised of \$1,411,795 (18%) for water and sewer and \$5,698,706 (74%) for gas.

## **Capital Asset and Debt Administration**

**Capital assets.** In accordance with GASB Statement No. 34, the City has recorded depreciation expense associated with all of its capital assets. The Statement, encourages, but does not require, phase three governments to report infrastructure retroactively. Therefore, due to costs constraints, the management of the City decided not to retroactively report infrastructure. Beginning with the fiscal year ended September 30, 2004, the City has reported newly acquired or constructed general infrastructure assets in the Statement of Net Assets.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amount to \$13,982,571, net of accumulated depreciation of \$6,540,229. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. For additional information concerning capital asset activity, see Detail Note IV - E.

**Long-term debt.** At year-end, the City had \$1,785,961 in bonds and notes outstanding. For additional information concerning long-term debt, see Detail Note IV - F.

## **Economic Factors and Next Year's Budgets**

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2008 budget. The total budgeted appropriations for the City operations in the governmental activities is \$2,560,450.

## **Contact Information**

This financial report is designed to provide a general overview of the City of Ripley, Mississippi's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Ripley, 500 South Main Street, Ripley, MS, 38663, telephone number (662) 837-0130.

**CITY OF RIPLEY, MISSISSIPPI**

**Statement of Net Assets**

September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 581,403	\$ 1,085,134	\$ 1,666,537
Investments	317,427	422,813	740,240
Receivables:			
Accounts	24,155	710,563	734,718
Franchise Fees	1,074		1,074
Sales Tax	86,227		86,227
Taxes	51,128		51,128
Interest Receivable	1,327	8,015	9,342
Internal Balances		76,753	76,753
Inventory of Supplies, at Cost		133,438	133,438
Inventory of Natural Gas, at Cost		816,047	816,047
Prepaid Expenses		41,871	41,871
<b>Total Current Assets</b>	<b>1,062,741</b>	<b>3,294,634</b>	<b>4,357,375</b>
<b><u>Restricted Assets</u></b>			
Cash and Cash Equivalents		494,226	494,226
<b>Total Restricted Assets</b>		<b>494,226</b>	<b>494,226</b>
<b><u>Capital Assets</u></b>			
Land	546,060	135,065	681,125
Buildings	1,110,114	42,238	1,152,352
Improvements other than Buildings	1,439,186		1,439,186
Utility Systems		13,750,535	13,750,535
Furniture, Vehicles and Equipment	1,420,215	759,531	2,179,746
Infrastructure	499,696		499,696
Accumulated Depreciation	(1,741,962)	(4,798,267)	(6,540,229)
Construction in Progress	820,160		820,160
<b>Total Capital Assets</b>	<b>4,093,469</b>	<b>9,889,102</b>	<b>13,982,571</b>
<b>Total Assets</b>	<b>5,156,210</b>	<b>13,677,962</b>	<b>18,834,172</b>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	171,057	92,127	263,184
Accrued Payroll	23,731	34,417	58,148
Internal Balances	9,950	66,803	76,753
Current Portion of Long-term Debt		182,880	182,880
<b><u>Current Liabilities Payable from Restricted Assets</u></b>			
Customer Meter Deposits		238,876	238,876
<b>Total Current Liabilities</b>	<b>204,738</b>	<b>615,103</b>	<b>819,841</b>
<b><u>Long-term Liabilities, Net of Current Portion</u></b>			
Long-term Debt		1,603,081	1,603,081
<b>Total Long-term Liabilities</b>		<b>1,603,081</b>	<b>1,603,081</b>
<b>Total Liabilities</b>	<b>204,738</b>	<b>2,218,184</b>	<b>2,422,922</b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	4,093,469	8,103,144	12,196,613
Unrestricted	858,003	3,356,634	4,214,637
<b>Total Net Assets</b>	<b>\$ 4,951,472</b>	<b>\$ 11,459,778</b>	<b>\$ 16,411,250</b>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 694,912	\$ 27,158	\$ 2,855	\$
Public Safety	901,520	90,079	133,595	
Public Works	802,129	286,249		966,248
Parks and Recreation	238,372	32,381		
<b>Total Governmental Activities</b>	<u>2,636,933</u>	<u>435,867</u>	<u>136,450</u>	<u>966,248</u>
Business-type Activities:				
Water and Sewer	1,324,893	1,411,795		560,150
Gas	5,786,159	5,698,706		
<b>Total Business-type Activities</b>	<u>7,111,052</u>	<u>7,110,501</u>		<u>560,150</u>
<b>Total Primary Government</b>	<u>\$ 9,747,985</u>	<u>\$ 7,546,368</u>	<u>\$ 136,450</u>	<u>\$ 1,526,398</u>

Property Taxes  
Sales Tax  
Franchise Taxes  
Road Tax  
Other Taxes  
Interest  
Other  
Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

The notes to the financial statements are an integral part of this statement.

Net (Revenue) Expenses and Changes in  
Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (664,899)	\$	\$ (664,899)
(677,846)		(677,846)
450,368		450,368
(205,991)		(205,991)
(1,098,368)		(1,098,368)
	647,052	647,052
	(87,453)	(87,453)
	559,599	559,599
(1,098,368)	559,599	(538,769)
261,952		261,952
1,323,896		1,323,896
226,566		226,566
122,535		122,535
16,043		16,043
24,918	68,537	93,455
53,107	4,180	57,287
2,029,017	72,717	2,101,734
930,649	632,316	1,562,965
4,020,823	10,827,462	14,848,285
\$ 4,951,472	\$ 11,459,778	\$ 16,411,250

CITY OF RIPLEY, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 581,403	\$ 581,403
Investments	317,427	317,427
Receivables (Net):		
Accounts	24,155	24,155
Franchise Fees	1,074	1,074
Sales Tax	86,227	86,227
Taxes	51,128	51,128
Interest Receivable	1,327	1,327
<b>Total Assets</b>	<b><u>\$ 1,062,741</u></b>	<b><u>\$ 1,062,741</u></b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts Payable & Accrued Liabilities	\$ 194,788	\$ 194,788
Due to Other Funds	9,950	9,950
<b>Total Liabilities</b>	<b><u>204,738</u></b>	<b><u>204,738</u></b>
<b>Fund Balances:</b>		
Unreserved	858,003	858,003
<b>Total Fund Balances</b>	<b><u>858,003</u></b>	<b><u>858,003</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,062,741</u></b>	

Amounts reported for governmental activities in the statement of net assets are different due to:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.

4,093,469

Net assets of governmental activities

**\$ 4,951,472**

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
General Property Taxes		
Current Ad Valorem	\$ 234,492	\$ 234,492
Prior Year Ad Valorem	3,176	3,176
Penalties and Interest on		
Delinquent Taxes	1,634	1,634
In Lieu of Taxes/Franchise Tax	212,682	212,682
Intergovernmental Revenues		
State Shared Revenues:		
Homestead Exemption	24,284	24,284
Sales Tax	1,323,896	1,323,896
Fire Protection Refund	25,923	25,923
State Gasoline Tax	9,830	9,830
General Municipal Aid	2,855	2,855
Collection from County:		
Road Tax	122,535	122,535
Fire Protection Refund	20,000	20,000
Fines and Forfeitures	77,089	77,089
Privilege Tax	19,063	19,063
Gross Receipts Tax - Cable	13,885	13,885
Building Fees, Permits and Inspections	12,232	12,232
Park Revenue	32,381	32,381
Charges for Services:		
Sanitation	286,249	286,249
Grant Revenue	966,248	966,248
Miscellaneous	154,211	154,211
Interest	24,918	24,918
<b>Total Revenues</b>	<u>3,567,583</u>	<u>3,567,583</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Revenues, Expenditures and Changes in Fund Balances - Continued  
Governmental Funds  
For the Year Ended September 30, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>		
Current:		
General Government	435,624	435,624
Public Safety	845,272	845,272
Public Works	809,792	809,792
Parks and Recreation	235,835	235,835
Capital Outlay	107,308	107,308
Capital Projects	966,248	966,248
<b>Total Expenditures</b>	<u>3,400,079</u>	<u>3,400,079</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>167,504</u>	 <u>167,504</u>
 <b>Net Change in Fund Balances</b>	 167,504	 167,504
 <b>Fund Balances, October 1</b>	 <u>690,499</u>	
 <b>Fund Balances, September 30</b>	 <u>\$ 858,003</u>	

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

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.

	<u>763,145</u>
Change in net assets of governmental activities	<u>\$ 930,649</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Net Assets  
Proprietary Funds  
September 30, 2007

<u>Assets</u>	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 275,607	\$ 809,527	\$ 1,085,134
Investments	90,778	332,035	422,813
Receivables			
Trade Accounts	137,450	573,113	710,563
Interest Receivable	2,059	5,956	8,015
Due from Other Funds		76,753	76,753
Prepaid Expense	22,508	19,363	41,871
Inventory of Supplies, at Cost	32,079	101,359	133,438
Inventory of Natural Gas, at Cost		816,047	816,047
<b>Total Current Assets</b>	<u>560,481</u>	<u>2,734,153</u>	<u>3,294,634</u>
<b>Non-current Assets:</b>			
Restricted Assets:			
Cash	105,818	68,374	174,192
Investments	123,884	196,150	320,034
Total Restricted Assets	<u>229,702</u>	<u>264,524</u>	<u>494,226</u>
Capital Assets:			
Land	135,065		135,065
Buildings and Improvements	21,119	21,119	42,238
Physical System	11,614,297	2,136,238	13,750,535
Furniture, Vehicles & Equipment	360,197	399,334	759,531
Accumulated Depreciation	(3,469,882)	(1,328,385)	(4,798,267)
Total Capital Assets Net of Accumulated Depreciation	<u>8,660,796</u>	<u>1,228,306</u>	<u>9,889,102</u>
<b>Total Non-current Assets</b>	<u>8,890,498</u>	<u>1,492,830</u>	<u>10,383,328</u>
<b>Total Assets</b>	<u>\$ 9,450,979</u>	<u>\$ 4,226,983</u>	<u>\$ 13,677,962</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Net Assets - Continued  
Proprietary Funds  
September 30, 2007

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b><u>Liabilities</u></b>			
<b>Current Liabilities:</b>			
Accounts Payable & Accrued Liabilities	\$ 74,903	\$ 51,641	\$ 126,544
Due to Other Funds	66,803		66,803
Current Portion of Revenue Bond	47,881		47,881
Current Portion of Notes Payable	134,999		134,999
<b>Total Current Liabilities</b>	<u>324,586</u>	<u>51,641</u>	<u>376,227</u>
<b>Current Liabilities Payable from Restricted Assets:</b>			
Meter Deposits	72,376	166,500	238,876
<b>Total Current Liabilities Payable from Restricted Assets</b>	<u>72,376</u>	<u>166,500</u>	<u>238,876</u>
<b>Non-current Liabilities:</b>			
Revenue Bonds (Net Current Portion)	1,033,613		1,033,613
Notes Payable (Net Current Portion)	569,468		569,468
<b>Total Non-current Liabilities</b>	<u>1,603,081</u>		<u>1,603,081</u>
<b>Total Liabilities</b>	<u>2,000,043</u>	<u>218,141</u>	<u>2,218,184</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	6,874,837	1,228,307	8,103,144
Unrestricted	576,099	2,780,535	3,356,634
<b>Total Net Assets</b>	<u>\$ 7,450,936</u>	<u>\$ 4,008,842</u>	<u>\$ 11,459,778</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIPLEY, MISSISSIPPI**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2007**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b>Operating Revenues:</b>			
Water Sales	\$ 958,454	\$	\$ 958,454
Sewer Services	412,256		412,256
Gas Sales		5,650,168	5,650,168
Sales Tax Collections	3,769		3,769
Cut-On/Cut-Off Charges	2,604	3,304	5,908
Building Connection Fees	10,713	15,571	26,284
Meter Fees	23,998	29,487	53,485
Refunds and Miscellaneous	3,718	639	4,357
<b>Total Operating Revenues</b>	<b>1,415,512</b>	<b>5,699,169</b>	<b>7,114,681</b>
<b>Operating Expenses:</b>			
Operating Salaries	335,287	327,998	663,285
Social Security and Retirement Benefits	41,882	40,997	82,879
Gas Purchases		4,730,897	4,730,897
Gas Transportation Fees		244,747	244,747
Depreciation Expense	301,380	83,459	384,839
Materials and Supplies	152,685	62,687	215,372
Utilities Purchased	163,509	6,778	170,287
Repairs and Maintenance	33,486	9,560	43,046
Travel and Miscellaneous	5,827	27,279	33,106
Dues and Publications	10,934	937	11,871
Gas and Oil	17,142	17,525	34,667
Telephone and Postage	7,513	31,567	39,080
Insurance	103,003	82,367	185,370
Professional Services	56,478	54,868	111,346
Sales Tax	13,031	64,493	77,524
<b>Total Operating Expenses</b>	<b>1,242,157</b>	<b>5,786,159</b>	<b>7,028,316</b>
<b>Operating Income</b>	<b>173,355</b>	<b>(86,990)</b>	<b>86,365</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIPLEY, MISSISSIPPI**  
**Statement of Revenues, Expenses and Changes in Net Assets - Continued**  
**Proprietary Funds**  
For the Year Ended September 30, 2007

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b>Nonoperating Revenues (Expenses):</b>			
Interest Revenue	16,187	52,350	68,537
Interest Expense and Fiscal Charges	(82,736)		(82,736)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(66,549)</u>	<u>52,350</u>	<u>(14,199)</u>
<b>Income Before Operating Transfers and Contributions</b>	106,806	(34,640)	72,166
Contributions in Aid of Construction	<u>560,150</u>		<u>560,150</u>
<b>Change in Net Assets</b>	666,956	(34,640)	632,316
<b>Total Net Assets, October 1</b>	<u>6,783,980</u>	<u>4,043,482</u>	<u>10,827,462</u>
<b>Total Net Assets, September 30</b>	<u><u>\$ 7,450,936</u></u>	<u><u>\$ 4,008,842</u></u>	<u><u>\$ 11,459,778</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2007

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,407,120	\$ 5,661,220	\$ 7,068,340
Cash Payments to Suppliers	(562,725)	(5,245,189)	(5,807,914)
Cash Payments to Employees	(334,390)	(317,343)	(651,733)
<b>Net Cash Provided by Operating Activities</b>	<u>510,005</u>	<u>98,688</u>	<u>608,693</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(686,063)	(42,136)	(728,199)
Contribution in Aid of Construction	560,150		560,150
Repayment of Long-term Debt	(176,285)		(176,285)
Interest Payment Long-term Debt	(82,736)		(82,736)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(384,934)</u>	<u>(42,136)</u>	<u>(427,070)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Interest Earnings	16,187	52,350	68,537
<b>Net Cash Provided by Investing Activities</b>	<u>16,187</u>	<u>52,350</u>	<u>68,537</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	141,258	108,902	250,160
<b>Cash and Cash Equivalents, October 1</b>	454,829	1,297,184	1,752,013
<b>Cash and Cash Equivalents, September 30</b>	<u>\$ 596,087</u>	<u>\$ 1,406,086</u>	<u>\$ 2,002,173</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Statement of Cash Flows - Continued  
Proprietary Funds  
For the Year Ended September 30, 2007

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income	\$ 173,355	\$ (86,990)	\$ 86,365
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	301,380	83,459	384,839
(Increase) Decrease in Receivables	(6,160)	(33,492)	(39,652)
(Increase) Decrease in Prepaid Expense	1,179	663	1,842
(Increase) Decrease in Inventory of Supplies	321	3,831	4,152
(Increase) Decrease in Inventory of Natural Gas		113,162	113,162
Increase (Decrease) In Accounts Payable and Accrued Liabilities	42,162	22,512	64,674
Increase (Decrease) in Meter Deposits	(2,232)	(4,457)	(6,689)
Total Adjustments	<u>336,650</u>	<u>185,678</u>	<u>522,328</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 510,005</u>	<u>\$ 98,688</u>	<u>\$ 608,693</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements  
September 30, 2007

**I. Summary of Significant Accounting Policies**

The City of Ripley, Mississippi (the "City") was incorporated in 1837, under the provisions of the Mississippi State Legislature. The City operates under a Mayor-Board of Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, public welfare, parks and recreation, gas, water and sewer utilities, and general administrative services.

The Comprehensive Annual Financial Report (the "Report") of the City includes all funds. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

**A. Reporting Entity**

The City is governed by an elected mayor and five-member board of aldermen. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of the above criteria, there were no component units for the City.

**B. Government-wide and Fund Financial Statements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 34-*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34 includes:

**Management's discussion and analysis (MD&A)**-MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities in a narrative format. An analysis of the City's overall financial position and results of operations is included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

I. **Summary of Significant Accounting Policies - Continued**

B. **Government-wide and Fund Financial Statements - Continued**

**Government-wide financial statements**-The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. The effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely extensively on fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

**Fund financial statements**-Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individually major governmental funds are reported as separate columns in the fund financial statements.

**Budgetary comparison statements**-These statements are presented to demonstrate whether resources were obtained and used in accordance with the City's legally adopted budgets. The City revises the original budgets over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided, and includes comparisons of the City's final budgets and actual results.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant Revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**I. Summary of Significant Accounting Policies - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Cont.**

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's gas, water and sewer funds are charges to customers for sales and services.

The following major funds are used by the City:

**1. Governmental Funds:**

The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Parks and Recreation, etc.) and is the primary operating unit of the City.

**2. Proprietary Funds:**

The following is a description of the major Proprietary Funds of the City:

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and other debt obligations when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
- b. Gas Fund accounts for the operation of the City's gas utility. Activities of the fund include administration, operation and maintenance of the gas system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**I. Summary of Significant Accounting Policies - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Cont.**

**3. Non-current Governmental Assets/Liabilities:**

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

**D. Assets, Liabilities, and Net Assets or Fund Balances**

**1. Deposits and Investments:**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts and certificates of deposit with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Mississippi, Mississippi counties, or the general obligations of Mississippi municipalities.

Investments are stated at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost.

**2. Receivables and Payables:**

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities." No individually significant amounts were due from any single entity as of September 30, 2007.

**3. Inventories and Prepaid Items:**

Inventories are valued at lower of cost or market. Inventory consists of expendable supplies held for consumption and stored natural gas purchased to hedge against price increases. The costs of Governmental Fund type inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets:**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are recorded at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**I. Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Fund Balances - Continued**

**4. Capital Assets: - Continued**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer Equipment and Peripherals	3
Vehicles and Equipment	5
Heavy Equipment	10
Furniture and Fixtures	7
Improvements other than Buildings	20
Buildings	40
Infrastructure:	
Roads	20
Concrete Bridges	50
Timber Bridges	30

**5. Long-term Obligations:**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**6. Compensated Absences:**

Vacation rights and annual leave for all employees are specified in Section 25-3-93 of the Mississippi Code of 1972, as supplemented. The City makes specific reference to this statute for identification of vacation and annual leave time; however, generally vacation leave is as follows:

<u>Employment Service</u>	<u>Vacation Time</u>
After 1 Year to 5 Years	1 Week
After 5 Years to 10 Years	2 Weeks
After 10 Years	3 Weeks

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

I. **Summary of Significant Accounting Policies - Continued**

D. **Assets, Liabilities, and Net Assets or Fund Balances - Continued**

6. **Compensated Absences: - Continued**

The City considers vacation time to be a benefit, which must be taken or it is lost. Vacation time does not accumulate from year to year. However, should an employee leave employment with the City before vacation time is taken, he shall be paid for time not taken.

The City's employees accumulate one day of sick leave per month for each month of continuous employment with the City. Employees may carry over a maximum of sixty (60) days of sick leave. All unused major medical leave shall be counted as creditable service for the purpose of the retirement system.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

E. **Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

II. **Details of the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "the acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital asset purchases in the current period." The details of this \$763,145 are as follows:

Capital outlay	\$ 923,793
Depreciation expense	<u>(160,648)</u>
	<u>\$ 763,145</u>

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**III. Stewardship, Compliance and Accountability**

In accordance with the Code of Mississippi, the City annually adopts a budget on the cash basis following the required public notice and hearing for all funds and appropriates the amount deemed necessary for each of the different City activities. The budget may be amended during the year utilizing similar statutorily prescribed procedures and time limitations. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

**IV. Detailed Notes on Government-wide and Fund Financial Statements**

**A. Deposits and Investments**

Deposits - Cash on hand and in banks at September 30, 2007 was \$2,901,003. The entire bank balances were covered by a collateral pool administered by the State Treasurer which is governed by Section 27-105-5 Miss. Code Ann. (1972).

Investments - The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Mississippi or its agencies; (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Mississippi or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposits issued by state and national banks domiciled in Mississippi that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations that have a market value of not less than the principal amount of the certificates; and (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by subdivision (1) of this subsection, pledged with third parties selected or approved by the City, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Mississippi. The market value of investments, all of which are Certificates of Deposit, is not materially different from the carrying value.

**B. Property Taxes**

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Tippah County Tax Assessor. The taxes on real and personal property attach as an enforceable lien on the property as of January 1 of each year. Taxes on real and personal property are levied by the City Board of Aldermen at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City are collected by the Tippah County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis.

In accordance with the Mississippi Code of 1972, as amended, the City Board of Aldermen may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for any one year may not exceed one hundred and ten percent (110%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation. In addition, the City Board of Directors may levy additional taxes for specific purposes, such as culture and recreation, as authorized by law.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**B. Property Taxes - Continued**

The tax levies for the calendar years 2006, 2005 and 2004 (taxes collected in the fiscal years ending 9/30/07, 9/30/06 and 9/30/05) are as follows:

<b>City Funds</b>	<u>9/30/07 Millage</u>	<u>9/30/06 Millage</u>	<u>9/30/05 Millage</u>
General Fund	7.50	7.50	7.50
Public Safety	0.25	0.25	0.25
Parks and Recreation	2.00	2.00	2.00
<b>Total Levy</b>	<u>9.75</u>	<u>9.75</u>	<u>9.75</u>

**C. Receivables**

Receivables at September 30, 2007 for the government's individual major funds consist of the following:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Gas</u>	<u>Total</u>
Receivables:				
Trade Accounts	\$ 24,155	\$ 137,450	\$ 573,113	\$ 734,718
Franchise Fees	1,074			1,074
Sales Tax	86,227			86,227
Taxes	51,128			51,128
Interest Receivable	1,327	2,059	5,956	9,342
<b>Total Receivables</b>	<u>\$ 163,911</u>	<u>\$ 139,509</u>	<u>\$ 579,069</u>	<u>\$ 882,489</u>

**D. Restricted Assets**

A summary of restricted assets follows:

**Restricted Cash**

	<u>Amount</u>	<u>Restriction</u>
Gas Meter Fund Account	\$ 68,374	Refund of Customer Deposits
Water Meter Fund Account	39,218	Refund of Customer Deposits
Water & Sewer Cushion Fund	27,319	Requirement of Bonded Debt Retirements
Water & Sewer Contg. Fund	14,049	Requirement of Bonded Debt Retirements
Water & Sewer Int. Bond	9,825	Requirement of Bonded Debt Retirements
Water & Sewer Depr. Fund	14,079	Requirement of Bonded Debt Retirements
Water Tank Maintenance	<u>1,328</u>	Maintenance of Water Tank
<b>Total Restricted Cash</b>	<u>174,192</u>	

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**D. Restricted Assets - Continued**

Restricted Investments

Water & Sewer Contg. Fund	11,405	Requirement of Bonded Debt Retirements
Water & Sewer Depr. Fund	11,405	Requirement of Bonded Debt Retirements
Water & Sewer Cushion Fund	25,811	Requirement of Bonded Debt Retirements
Water & Sewer - Murry Spur	10,800	Requirement of Bonded Debt Retirements
Water & Sewer - Palmer System	9,000	Requirement of Bonded Debt Retirements
Water Meter Fund Account	55,463	Refund of Customer Deposits
Gas Depreciation Fund	10,000	Requirement of Bonded Debt Retirements
Gas Contingent Fund	10,000	Requirement of Bonded Debt Retirements
Gas Cushion Fund	50,000	Requirement of Bonded Debt Retirements
Gas Meter Fund Account	<u>126,150</u>	Refund of Customer Deposits
Total Restricted Investments	<u>320,034</u>	
Total Restricted Assets	<u>\$ 494,226</u>	

**E. Capital Assets**

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 546,060	\$	\$	\$ 546,060
Construction in Progress	144,713	675,447		820,160
Total Capital Assets, not being Depreciated	<u>690,773</u>	<u>675,447</u>		<u>1,366,220</u>

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**E. Capital Assets - Continued**

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Governmental Activities:</b>				
Capital Assets, being Depreciated:				
Buildings	1,110,114			1,110,114
Improvements other than Buildings	1,323,875	115,311		1,439,186
Furniture, Vehicles and Equipment	1,318,358	101,857		1,420,215
Infrastructure	468,518	31,178		499,696
<b>Total Capital Assets being Depreciated</b>	<b>4,220,865</b>	<b>248,346</b>		<b>4,469,211</b>
Less Accumulated Depreciation For:				
Buildings	404,315	20,321		424,636
Improvements other than Buildings	240,348	52,388		292,736
Furniture, Vehicles and Equipment	916,432	64,010		980,442
Infrastructure	20,219	23,929		44,148
<b>Total Accumulated Depreciation</b>	<b>1,581,314</b>	<b>160,648</b>		<b>1,741,962</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>2,639,551</b>	<b>87,698</b>		<b>2,727,249</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,330,324</b>	<b>\$ 763,145</b>	<b>\$</b>	<b>\$ 4,093,469</b>
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Water and Sewer Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 135,065	\$	\$	\$ 135,065
Construction in Progress	91,272	508,189	(599,461)	
<b>Total Capital Assets, not being Depreciated</b>	<b>226,337</b>	<b>508,189</b>	<b>(599,461)</b>	<b>135,065</b>

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**E. Capital Assets - Continued**

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Water and Sewer Activities:</b>				
Capital Assets, being Depreciated:				
Buildings	21,119			21,119
Water and Sewer System	10,862,011	752,286		11,614,297
Furniture, Vehicles and Equipment	335,146	25,051		360,197
<b>Total Capital Assets being Depreciated</b>	<b>11,218,276</b>	<b>777,337</b>		<b>11,995,613</b>
Less Accumulated Depreciation For:				
Buildings	9,658	580		10,238
Water and Sewer System	2,837,321	290,982		3,128,303
Furniture, Vehicles and Equipment	321,523	9,818		331,341
<b>Total Accumulated Depreciation</b>	<b>3,168,502</b>	<b>301,380</b>		<b>3,469,882</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>8,049,774</b>	<b>475,957</b>		<b>8,525,731</b>
<b>Water and Sewer Activities Capital Assets, Net</b>	<b>\$ 8,276,111</b>	<b>\$ 984,146</b>	<b>\$ (599,461)</b>	<b>\$ 8,660,796</b>

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Gas Activities:</b>				
Capital Assets, being Depreciated:				
Buildings	\$ 21,119	\$ 8,610	\$	\$ 21,119
Gas System	2,127,628	8,610		2,136,238
Furniture, Vehicles and Equipment	365,809	33,525		399,334
<b>Total Capital Assets being Depreciated</b>	<b>2,514,556</b>	<b>42,135</b>		<b>2,556,691</b>

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**E. Capital Assets - Continued**

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
<b>Gas Activities:</b>				
Less Accumulated Depreciation				
For:				
Buildings	9,658	580		10,238
Gas System	916,606	54,565		971,171
Furniture, Vehicles and Equipment	318,662	28,314		346,976
Total Accumulated Depreciation	<u>1,244,926</u>	<u>83,459</u>		<u>1,328,385</u>
 Total Capital Assets, being Depreciated, Net	 <u>1,269,630</u>	 <u>(41,324)</u>		 <u>1,228,306</u>
 Gas Activities Capital Assets, Net	 <u>\$ 1,269,630</u>	 <u>\$ (41,324)</u>	 <u>\$</u>	 <u>\$ 1,228,306</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 79,382
Public Safety	56,248
Public Works	22,481
Parks and Recreation	<u>2,537</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 160,648</u>
 <b>Business-type Activities:</b>	
Water and Sewer	\$ 301,380
Gas	<u>83,459</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$ 384,839</u>

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

<u>Class</u>	<u>Years</u>
Buildings	40
Improvements other than Buildings	20
Furniture, Vehicles and Equipment	3 - 10
Utility Systems	20 - 40
Infrastructure	20 - 50

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**IV. Detailed Notes on Government-wide and Fund Financial Statements - Continued**

**F. Long-term Debt**

Debt of the Enterprise Funds

The revenue bonds and notes payable of the Enterprise Funds are payable from operations of the Water and Sewer Fund. Debt balance and transactions for the year ended September 30, 2007, are as follows:

	Balance, October 1, 2006	Additions	Retirements and Other	Balance September 30, 2007	Due Within One Year
Revenue Bond	\$ 173,363	\$	\$ (16,721)	\$ 156,642	\$ 17,575
Revenue Bond	86,321		(4,755)	81,566	5,042
Revenue Bond	192,433		(4,233)	188,200	4,504
Revenue Bond	97,747		(6,279)	91,468	7,049
Revenue Bond	50,361		(5,209)	45,152	5,475
Revenue Bond	246,740		(4,046)	242,694	4,109
Notes Payable	835,481		(131,014)	704,467	134,999
Notes Payable	279,799		(4,027)	275,772	4,127
	<u>\$ 1,962,245</u>	<u>\$</u>	<u>\$ (176,284)</u>	<u>\$ 1,785,961</u>	<u>\$ 182,880</u>

The principal and interest requirements of the above revenue bonds and notes payable at September 30, 2007, are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 182,880	\$ 71,323	\$ 254,203
2009	189,429	64,775	254,204
2010	196,228	57,976	254,204
2011	203,284	50,916	254,200
2012	197,760	43,586	241,346
Thereafter	816,380	449,184	1,265,564
	<u>\$ 1,785,961</u>	<u>\$ 737,760</u>	<u>\$ 2,523,721</u>

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**V. Other Information**

**A. Defined Benefit Pension Plans**

Plan Description

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. As of July 2007 the current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for 2007 were \$161,026, which was equal to the required contributions. The City's contributions to PERS for 2006 and 2005 were \$153,539 and \$136,937, respectively.

**B. Interfund Transactions**

A summary of interfund receivables and payables at September 30, 2007 is as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$	\$ 9,950
Water & Sewer		66,803
Gas	76,753	
	\$ 76,753	\$ 76,753

**C. Commitments and Contingencies**

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Basic Financial Statements - Continued  
September 30, 2007

**V. Other Information - Continued**

**C. Commitments and Contingencies - Continued**

Construction Commitments

The City had two active construction projects as of September 30, 2007. At the year end, the City's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Intersection Improvements	144,713	93,524
Kirkwood Access Road	675,447	19,553
	<u>\$ 820,160</u>	<u>\$ 113,077</u>

The intersection improvements project is funded by grants from the Mississippi Department of Transportation. The Kirkwood Access Road project is funded by the Mississippi Development Authority.

Litigation

As of September 30, 2007, there was no pending litigation in which the City was involved.

**D. 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. Risk management activities are accounted for in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR). There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years.

**E. Prior Period Adjustment**

During 2007, the following prior period adjustment was made to the financials:

- In the Gas Fund, it was determined that \$929,209 of stored natural gas had not been recorded as inventory.

CITY OF RIPLEY, MISSISSIPPI  
Required Supplementary Information  
Statement of Revenues, Expenditures and Changes in Fund Balances-  
Budget and Actual - Budget Basis - General Fund  
For the Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
General Property Taxes			
Current Ad Valorem	\$ 245,000	\$ 249,635	\$ 4,635
Prior Year Ad Valorem			
In Lieu of Taxes/Franchise Tax	185,000	203,039	18,039
Intergovernmental Revenues			
State Shared Revenues:			
Sales Tax	1,120,000	1,179,955	59,955
Fire Protection Refund	27,500	25,923	(1,577)
State Gasoline Tax	9,800	9,830	30
General Municipal Aid	2,800	2,855	55
Collection from County:			
Road Tax	159,000	125,266	(33,734)
Fire Protection Refund	20,000	20,000	
Fines and Forfeitures	70,000	77,089	7,089
Privilege Tax	18,300	19,063	763
Gross Receipts Tax - Cable	13,100	13,905	805
Building Fees, Permits and Inspections	8,000	12,232	4,232
Park Revenue	30,000	32,381	2,381
Charges for Services:			
Sanitation	287,400	291,662	4,262
Grant Revenue	175,894	209,429	33,535
Miscellaneous	53,444	199,736	146,292
Interest	5,600	13,297	7,697
<b>Total Revenues</b>	<u>\$ 2,430,838</u>	<u>\$ 2,685,297</u>	<u>\$ 254,459</u>

See accompanying notes to required supplementary information.

**CITY OF RIPLEY, MISSISSIPPI**  
**Required Supplementary Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances-**  
**Budget and Actual - Budget Basis - General Fund - Continued**  
**For the Year Ended September 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures:</b>			
Current:			
General Government	\$ 785,398	\$ 753,269	\$ 32,129
Public Safety	935,214	914,053	21,161
Public Works	827,431	817,938	9,493
Parks and Recreation	274,933	260,837	14,096
<b>Total Expenditures</b>	2,822,976	2,746,097	76,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	(392,138)	(60,800)	177,580
<b>Other Financing Sources (Uses):</b>			
Transfer In	392,138	216,501	(175,637)
<b>Total Other Financing Sources</b>	392,138	216,501	(175,637)
<b>Net Change in Fund Balances</b>	\$	155,701	\$ 1,943
<b>Fund Balances, October 1</b>		810,751	
<b>Fund Balances, September 30</b>		\$ 966,452	

See accompanying notes to required supplementary information.

CITY OF RIPLEY, MISSISSIPPI  
Notes to Required Supplementary Information  
September 30, 2007

**Budgetary Data**

The City Board of Aldermen formally adopts an annual operating budget for the General Fund at the "category level." State statutes prohibit the governing authority from expending amounts in excess of the adopted or amended budget. The City Board of Aldermen may amend the budget during the fiscal year, by resolution, to reallocate resources.

The budgets for the General Fund are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year. Expenditures may not legally exceed budgeted appropriations and any existing fund balance at the various fund or fund type levels. Budget amounts are as originally adopted, or as amended by the City Board of Aldermen. Budget amendments are made throughout the year as reallocations of funds are necessary or as circumstances dictate.

Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the budgetary and GAAP fund balances for the year ended September 30, 2007, is as follows:

Fund Balance - Budgetary Basis	\$ 966,452
Adjustment:	
Change in Revenue Accruals	<u>(108,449)</u>
Fund Balance - GAAP Basis	<u>\$ 858,003</u>

CITY OF RIPLEY, MISSISSIPPI  
Supplementary Information  
Schedule of Reconciliation of Original Ad-Valorem  
Tax Rolls to Fund Collections  
Year Ended September 30, 2007

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Millage</u>	<u>Tax</u>
Realty	16,642,501	9.75 Mills	\$ 162,264
Personal	4,116,563	9.75 Mills	40,137
Public Utilities	641,660	9.75 Mills	6,256
Auto	5,756,444	9.75 Mills	56,125
	<u>27,157,168</u>		<u>264,782</u>
Less: Homestead Exemption Allowed			(25,701)
Exempted Industries			(2,039)
Total			<u>237,042</u>
<u>Collection Adjustments</u>			
Add: Actual Homestead Reimbursement			24,284
Mobile Home Tax			1,001
TVRHA in Lieu of Tax			1,557
Other Privilege Tax			4,137
Prior Year Taxes			3,176
Penalties & Interest on Delinquent Taxes			1,634
Less: County Tax Collector's Collections			<u>(11,893)</u>
<u>Total to be Accounted For</u>			<u>\$ 260,938</u>
		<u>Homestead Reimbursement</u>	
	<u>Taxes</u>		<u>Total</u>
Collection Credits Allocated to Funds:			
General Fund	\$ 233,104	\$ 24,284	\$ 257,388
Balance Represented by: Unpaid Property Taxes			<u>3,550</u>
<u>Total Accounted For</u>			<u>\$ 260,938</u>

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 assessments were found to be within the limitations of Sections 27-39-320 through 27-39-323, Miss. Code Ann. (1972), as follows:

Actual Collections:		Actual Collections:	
Base Year 2005	\$ 257,481	Taxes collected 2006	\$ 233,104
10% Increase	25,748	Homestead Exemption Reimb.	24,284
Exemption		Under (Over) Limitation	25,841
Total	<u>\$ 283,229</u>	Total	<u>\$ 283,229</u>

CITY OF RIPLEY, MISSISSIPPI  
Supplementary Information  
Schedule of Investments - All Funds  
September 30, 2007

The following is a schedule of investments at September 30, 2007:

Certificates of Deposit

<u>Fund Account Name</u>	<u>Balance</u> <u>9/30/07</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>
General Fund Account	\$ 100,445	11-21-07	2.70%
General Fund Account	216,982	08-06-08	4.00%
Palmer Water System	9,000	08-23-08	4.35%
Murry Spur Water System	10,800	08-23-08	4.35%
Water Meter Fund Account	10,000	07-19-08	4.45%
Water Meter Fund Account	10,000	03-10-08	4.00%
Water & Sewer Contingent Account	4,500	07-19-08	4.45%
Water & Sewer Depreciation Account	4,500	07-19-08	4.45%
Water & Sewer Cushion Account	9,000	07-19-08	4.45%
Water Meter Fund Account	20,000	02-15-08	4.35%
Water & Sewer Cushion Account	3,000	12-22-07	3.90%
Water & Sewer Depreciation Account	1,500	12-22-07	3.90%
Water & Sewer Contingent Account	1,500	12-22-07	3.90%
Gas Meter Account	25,650	03-10-08	4.00%
Gas Cushion Account	13,000	11-17-07	2.70%
Gas Depreciation Account	8,000	07-19-08	4.45%
Gas Contingent Account	2,000	11-17-07	2.70%
Gas Operations	110,994	02-15-08	4.35%
Gas Cushion Account	37,000	07-19-08	2.55%
Gas Depreciation Account	2,000	11-17-07	2.70%
Gas Contingent Account	8,000	07-19-08	4.45%
Gas Meter Account	10,000	07-19-08	4.45%
Gas Meter Account	10,000	01-11-08	3.90%
Gas Meter Account	10,000	12-12-07	4.15%
Gas Operations	111,245	01-30-08	4.00%
Gas Operations	109,795	12-19-07	2.70%
Gas Meter	40,000	02-15-08	4.35%
Gas Meter	30,500	02-21-08	4.00%
Water & Sewer Meter	15,463	01-16-08	4.00%
Water & Sewer Cushion	8,000	02-15-08	4.35%
Water & Sewer Depreciation	2,500	02-15-08	4.35%
Water & Sewer Contingent	2,500	02-15-08	4.35%
Water & Sewer Depreciation Account	2,905	11-14-07	4.25%
Water & Sewer Contingent Account	2,905	11-14-07	4.25%
Water & Sewer Cushion Account	5,811	11-14-07	4.26%
East Ripley Sewer #6	80,487	11-10-07	2.70%
Antioch Reserve	10,292	08-25-08	4.35%
Total	<u>\$ 1,060,274</u>		

CITY OF RIPLEY, MISSISSIPPI  
Supplementary Information  
Schedule of Surety Bonds for Municipal Officials  
and Other Municipal Employees  
September 30, 2007

Elected and appointed officials of the City of Ripley are covered under various surety bonds, as described below:

	<u>Bonded Amount</u>	<u>Policy Expiration Date</u>
Mayor		
Mike Harrison	\$ 50,000	7-01-2009
Aldermen		
Gilroy Bails	50,000	7-01-2009
Sherill McCoy	50,000	7-01-2009
Bonnie Caviness	50,000	7-01-2009
Wade Crawford	50,000	7-01-2009
Randy Windham	50,000	7-01-2009
City Clerk and Tax Collector		
Elizabeth Shelton	50,000	1-30-2008
Police Chief		
Mo Graddy	50,000	7-01-2009

CITY OF RIPLEY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2007

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Catalog of Fed. Domestic Assistance Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grants/ State's Program	14.228	1122-05-318-ED-01	\$ 496,500
Community Development Block Grants/ State's Program	14.228	1122-02-318-ED-01	102,000
Community Development Block Grants/ Entitlement Grants	14.218	1121-04-318-ED-01	637,500
Community Development Block Grants/ Entitlement Grants	14.218	1120-03-318-ED-03	<u>37,947</u>
Total			<u>\$ 1,273,947</u>

CITY OF RIPLEY, MISSISSIPPI  
Notes to the Schedule of Expenditures of Federal Awards  
September 30, 2007

NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of the City of Ripley, Mississippi are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement (Revised June 30, 1999, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2007 cash and noncash expenditures in excess of \$500,000 to ensure coverage of at least 50 percent of federally granted funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The City of Ripley, Mississippi utilizes the accrual method of accounting for financial reporting purposes.

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the City of Ripley, Mississippi for the year ended September 30, 2007.

# LINDSEY, DAVIS AND ASSOCIATES

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

To the Mayor and Board of Aldermen  
City of Ripley, Mississippi  
Ripley, MS 38663

We have audited the financial statements of the governmental activities and the business-type activities of the City of Ripley, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City of Ripley's basic financial statements and have issued our report thereon dated May 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ripley's internal control over financial reporting as a basis for designing our auditing procedures 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 of Ripley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ripley's internal control over financial reporting.

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

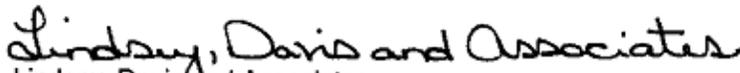
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ripley's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

  
Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
May 5, 2008

# LINDSEY, DAVIS AND ASSOCIATES

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Board of Aldermen  
City of Ripley, Mississippi  
Ripley, MS 38663

### Compliance

We have audited the compliance of the City of Ripley, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of Ripley's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Ripley's management. Our responsibility is to express an opinion on the City of Ripley's compliance based on our audits.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ripley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Ripley's compliance with those requirements.

In our opinion, the City of Ripley complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

## Internal Control Over Compliance

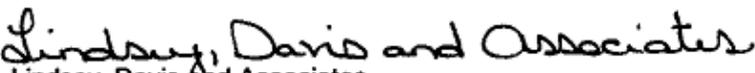
The management of the City of Ripley is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ripley's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ripley's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

  
Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
May 5, 2008

CITY OF RIPLEY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2007

SCHEDULE A - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements:*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards:*

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 500,000
Auditee qualified as low-risk auditee?	Yes

SCHEDULE B - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SCHEDULE C - FINDINGS AND QUESTIONED COSTS

No matters were reported.