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CITY OF RIPLEY, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

CITY OF RIPLEY, MISSISSIPPI

**Comprehensive Annual Financial Report
For the Year Ended September 30, 2008**

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, 2008

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LINDSEY, DAVIS AND ASSOCIATES

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———
MEMBER:
MISSISSIPPI SOCIETY OF
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, 2008, 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, 2008, 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 27, 2009, 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.

Lindsey, Davis and Associates
Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
May 27, 2009

CITY OF RIPLEY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2008

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, 2008.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2008 fiscal year by \$17,198,324. Of this amount, \$4,416,590 may be used to meet the City of Ripley's ongoing obligations to citizens and creditors.
- The City's total debt is \$1,602,520.

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, 2008

	Governmental Activities	Business-type Activities	2008 Total	2007 Total
Current and Other Assets	\$ 748,492	\$ 4,152,347	\$ 4,900,839	\$ 4,851,601
Capital Assets, Net	4,619,602	9,764,649	14,384,251	13,982,571
Total Assets	5,368,094	13,916,996	19,285,090	18,834,172
Current and Other Liabilities	108,150	565,554	673,704	819,841
Long-term Liabilities		1,413,064	1,413,064	1,603,081
Total Liabilities	108,150	1,978,618	2,086,768	2,422,922
Invested in Capital Assets	4,619,602	8,162,130	12,781,732	12,196,613
Unrestricted	640,342	3,776,248	4,416,590	4,214,637
Total Net Assets	\$ 5,259,944	\$ 11,938,378	\$ 17,198,322	\$ 16,411,250

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 75% 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, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2008 Total</u>	<u>2007 Total</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 503,962	\$ 8,324,456	\$ 8,828,418	\$ 7,546,368
Operating Grants and Contr.	117,661		117,661	136,450
Capital Grants and Contr.	541,615	147,500	689,115	1,526,398
General Revenues:				
Property Taxes	286,591		286,591	261,952
Sales Taxes	1,239,400		1,239,400	1,323,896
Franchise Taxes	233,660		233,660	226,566
Road Tax	139,074		139,074	122,535
Other Taxes	15,930		15,930	16,043
Interest	28,131	87,255	115,386	93,455
Transfer	93,272	(93,272)		
Other	48,361	1,390	49,751	57,287
Total Revenues	<u>3,247,657</u>	<u>8,467,329</u>	<u>11,714,986</u>	<u>11,310,950</u>
Expenses:				
General Government	1,019,527		1,019,527	694,912
Public Safety	864,340		864,340	901,520
Public Works	807,889		807,889	802,129
Parks and Recreation	247,429		247,429	238,372
Water and Sewer Service		1,441,892	1,441,892	1,324,893
Gas Service		6,546,837	6,546,837	5,786,159
Total Expenses	<u>2,939,185</u>	<u>7,988,729</u>	<u>10,927,914</u>	<u>9,747,985</u>
Increase in Net Assets	308,472	478,600	787,072	1,562,965
Net Assets - Beginning of Year	<u>4,951,472</u>	<u>11,459,778</u>	<u>16,411,250</u>	<u>14,848,285</u>
Net Assets - End of Year	<u>\$ 5,259,944</u>	<u>\$ 11,938,378</u>	<u>\$ 17,198,322</u>	<u>\$ 16,411,250</u>

Governmental Activities

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (39%), grants and contributions (21%), charges for services (16%) and property taxes (9%).

The largest expense categories for the City's governmental activities are general government (35%) and public safety (29%).

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>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Charges for Services	\$ 503,962	16.0%	\$ 435,867	12.2%
Grants and Contributions	659,276	20.9%	1,102,698	31.0%
Property Taxes	286,591	9.1%	261,952	7.3%
Road Tax	139,074	4.4%	122,535	3.4%
Sales Taxes	1,239,400	39.3%	1,323,896	37.1%
Franchise Taxes	233,660	7.4%	226,566	6.4%
Other Taxes	15,930	0.5%	16,043	0.4%
Interest	28,131	0.9%	24,918	0.7%
Other	48,361	1.5%	53,107	1.5%
	<u>\$ 3,154,385</u>	<u>100.0%</u>	<u>\$ 3,567,582</u>	<u>100.0%</u>

Table 2
Expenses by Function - Governmental Activities

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
General Government	\$ 1,019,527	34.7%	\$ 694,912	26.4%
Public Safety	864,340	29.4%	901,520	34.2%
Public Works	807,889	27.5%	802,129	30.4%
Parks and Recreation	247,429	8.4%	238,372	9.0%
	<u>\$ 2,939,185</u>	<u>100.0%</u>	<u>\$ 2,636,933</u>	<u>100.0%</u>

Table 3
Revenues by Source - Business-type Activities

	<u>2007</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Gas Charges for Services	\$ 6,825,415	79.7%	\$ 5,698,706	73.6%
Water and Sewer Charges for Services	1,499,041	17.5%	1,411,795	18.2%
Grants and Contributions	147,500	1.7%	560,150	7.2%
Interest	87,255	1.0%	68,537	0.9%
Other	1,390	0.1%	4,180	0.1%
	<u>\$ 8,560,601</u>	<u>100.0%</u>	<u>\$ 7,743,368</u>	<u>100.0%</u>

Business-type Activities

Business-type activities increased the City's net assets by \$478,600. 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 \$1,499,041 (18%) for water and sewer and \$6,825,415 (80%) 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, 2008, amount to \$14,384,251, net of accumulated depreciation of \$7,121,100. 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 \$1,602,520 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 2009 budget. The total budgeted appropriations for the City operations in the governmental activities is \$2,654,432.

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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 477,691	\$ 1,504,353	\$ 1,982,044
Investments	102,864	437,276	540,140
Receivables:			
Accounts	24,074	735,736	759,810
Franchise Fees	1,201		1,201
Sales Tax	93,804		93,804
Taxes	48,773		48,773
Interest Receivable	85	6,159	6,244
Internal Balances		76,753	76,753
Inventory of Supplies, at Cost		114,924	114,924
Inventory of Natural Gas, at Cost		767,194	767,194
Prepaid Expenses		16,492	16,492
Total Current Assets	748,492	3,658,887	4,407,379
<u>Restricted Assets</u>			
Cash and Cash Equivalents		493,460	493,460
Total Restricted Assets		493,460	493,460
<u>Capital Assets</u>			
Land	795,956	135,065	931,021
Buildings	1,145,465	42,238	1,187,703
Improvements other than Buildings	1,452,949		1,452,949
Utility Systems		13,750,535	13,750,535
Furniture, Vehicles and Equipment	1,699,294	879,453	2,578,747
Infrastructure	1,278,316		1,278,316
Accumulated Depreciation	(1,930,958)	(5,190,142)	(7,121,100)
Construction in Progress	178,580	147,500	326,080
Total Capital Assets	4,619,602	9,764,649	14,384,251
Total Assets	5,368,094	13,916,996	19,285,090
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	121,439	67,765	189,204
Accrued Payroll	(23,239)	11,352	(11,887)
Internal Balances	9,950	66,803	76,753
Current Portion of Long-term Debt		189,456	189,456
<u>Current Liabilities Payable from Restricted Assets</u>			
Customer Meter Deposits		230,178	230,178
Total Current Liabilities	108,150	565,554	673,704
<u>Long-term Liabilities, Net of Current Portion</u>			
Long-term Debt		1,413,064	1,413,064
Total Long-term Liabilities		1,413,064	1,413,064
Total Liabilities	108,150	1,978,618	2,086,768
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	4,619,602	8,162,130	12,781,732
Unrestricted	640,342	3,776,248	4,416,590
Total Net Assets	\$ 5,259,944	\$ 11,938,378	\$ 17,198,322

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, 2008

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,019,527	\$ 40,991	\$ 42,824	\$ 433,731
Public Safety	864,340	149,728	74,837	61,117
Public Works	807,889	283,054		46,767
Parks and Recreation	247,429	30,189		
Total Governmental Activities	2,939,185	503,962	117,661	541,615
Business-type Activities:				
Water and Sewer	1,441,892	1,499,041		147,500
Gas	6,546,837	6,825,415		
Total Business-type Activities	7,988,729	8,324,456		147,500
Total Primary Government	\$ 10,927,914	\$ 8,828,418	\$ 117,661	\$ 689,115

Property Taxes
Sales Tax
Franchise Taxes
Road Tax
Other Taxes
Interest
Transfers
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
\$ (501,981)	\$	\$ (501,981)
(578,658)		(578,658)
(478,068)		(478,068)
(217,240)		(217,240)
<u>(1,775,947)</u>		<u>(1,775,947)</u>
	204,649	204,649
	<u>278,578</u>	<u>278,578</u>
	483,227	483,227
<u>(1,775,947)</u>	<u>483,227</u>	<u>(1,292,720)</u>
286,591		286,591
1,239,400		1,239,400
233,660		233,660
139,074		139,074
15,930		15,930
28,131	87,255	115,386
93,272	(93,272)	
48,361	1,390	49,751
<u>2,084,419</u>	<u>(4,627)</u>	<u>2,079,792</u>
308,472	478,600	787,072
<u>4,951,472</u>	<u>11,459,778</u>	<u>16,411,250</u>
<u>\$ 5,259,944</u>	<u>\$ 11,938,378</u>	<u>\$ 17,198,322</u>

CITY OF RIPLEY, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2008

	<u>General</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 477,691	\$ 477,691
Investments	102,864	102,864
Receivables (Net):		
Accounts	24,074	24,074
Franchise Fees	1,201	1,201
Sales Tax	93,804	93,804
Taxes	48,773	48,773
Interest Receivable	85	85
Total Assets	\$ 748,492	\$ 748,492
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable & Accrued Liabilities	\$ 98,200	\$ 98,200
Due to Other Funds	9,950	9,950
Total Liabilities	108,150	108,150
 Fund Balances:		
Unreserved	640,342	640,342
Total Fund Balances	640,342	640,342
Total Liabilities and Fund Balances	\$ 748,492	

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.

4,619,602

Net assets of governmental activities

\$ 5,259,944

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, 2008

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
General Property Taxes		
Current Ad Valorem	\$ 257,467	\$ 257,467
Prior Year Ad Valorem	3,383	3,383
Penalties and Interest on		
Delinquent Taxes	1,720	1,720
In Lieu of Taxes/Franchise Tax	219,433	219,433
Intergovernmental Revenues		
State Shared Revenues:		
Homestead Exemption	25,741	25,741
Sales Tax	1,239,400	1,239,400
Fire Protection Refund	28,372	28,372
State Gasoline Tax	9,829	9,829
General Municipal Aid	2,855	2,855
Collection from County:		
Road Tax	139,074	139,074
Fire Protection Refund	20,000	20,000
Fines and Forfeitures	125,758	125,758
Privilege Tax	18,481	18,481
Gross Receipts Tax - Cable	14,227	14,227
Building Fees, Permits and Inspections	26,358	26,358
Park Revenue	30,189	30,189
Charges for Services:		
Sanitation	283,054	283,054
Grant Revenue	608,049	608,049
Miscellaneous	72,864	72,864
Interest	28,131	28,131
Total Revenues	<u>3,154,385</u>	<u>3,154,385</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, 2008

	<u>General</u>	<u>Total Governmental Funds</u>
Expenditures:		
Current:		
General Government	429,118	429,118
Public Safety	855,034	855,034
Public Works	781,557	781,557
Parks and Recreation	245,775	245,775
Capital Outlay	539,785	539,785
Capital Projects	608,049	608,049
Principal Payments	6,000	6,000
Total Expenditures	<u>3,465,318</u>	<u>3,465,318</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(310,933)</u>	 <u>(310,933)</u>
 Other Financing Sources (Uses):		
Transfers In	93,272	93,272
Total Other Financing Sources	<u>93,272</u>	<u>93,272</u>
 Net Change in Fund Balances	 (217,661)	 (217,661)
 Fund Balances, October 1	 <u>858,003</u>	
 Fund Balances, September 30	 <u>\$ 640,342</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>526,133</u>
Change in net assets of governmental activities	<u>\$ 308,472</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, 2008

<u>Assets</u>	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
Current Assets:			
Cash and Cash Equivalents	\$ 376,086	\$ 1,128,267	\$ 1,504,353
Investments	93,194	344,082	437,276
Receivables			
Trade Accounts	120,887	614,849	735,736
Interest Receivable	1,651	4,508	6,159
Due from Other Funds		76,753	76,753
Prepaid Expense	12,403	4,089	16,492
Inventory of Supplies, at Cost	33,656	81,268	114,924
Inventory of Natural Gas, at Cost		767,194	767,194
Total Current Assets	<u>637,877</u>	<u>3,021,010</u>	<u>3,658,887</u>
Non-current Assets:			
Restricted Assets:			
Cash	109,195	64,231	173,426
Investments	123,884	196,150	320,034
Total Restricted Assets	<u>233,079</u>	<u>260,381</u>	<u>493,460</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	462,678	416,775	879,453
Construction in Progress	147,500		147,500
Accumulated Depreciation	(3,786,983)	(1,403,159)	(5,190,142)
Total Capital Assets Net of Accumulated Depreciation	<u>8,593,676</u>	<u>1,170,973</u>	<u>9,764,649</u>
Total Non-current Assets	<u>8,826,755</u>	<u>1,431,354</u>	<u>10,258,109</u>
Total Assets	<u>\$ 9,464,632</u>	<u>\$ 4,452,364</u>	<u>\$ 13,916,996</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, 2008

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable & Accrued Liabilities	\$ 43,183	\$ 35,934	\$ 79,117
Due to Other Funds	66,803		66,803
Current Portion of Revenue Bond	50,351		50,351
Current Portion of Notes Payable	139,105		139,105
Total Current Liabilities	<u>299,442</u>	<u>35,934</u>	<u>335,376</u>
Current Liabilities Payable from Restricted Assets:			
Meter Deposits	69,616	160,562	230,178
Total Current Liabilities Payable from Restricted Assets	<u>69,616</u>	<u>160,562</u>	<u>230,178</u>
Non-current Liabilities:			
Revenue Bonds (Net Current Portion)	982,701		982,701
Notes Payable (Net Current Portion)	430,363		430,363
Total Non-current Liabilities	<u>1,413,064</u>		<u>1,413,064</u>
Total Liabilities	<u>1,782,122</u>	<u>196,496</u>	<u>1,978,618</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	6,991,157	1,170,973	8,162,130
Unrestricted	691,353	3,084,895	3,776,248
Total Net Assets	<u>\$ 7,682,510</u>	<u>\$ 4,255,868</u>	<u>\$ 11,938,378</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, 2008

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
Operating Revenues:			
Water Sales	\$ 1,056,405	\$	\$ 1,056,405
Sewer Services	404,616		404,616
Gas Sales		6,784,285	6,784,285
Cut-On/Cut-Off Charges	2,270	2,633	4,903
Building Connection Fees	12,604	11,832	24,436
Meter Fees	23,146	26,527	49,673
Refunds and Miscellaneous	924	605	1,529
Total Operating Revenues	1,499,965	6,825,882	8,325,847
Operating Expenses:			
Operating Salaries	368,293	329,507	697,800
Social Security and Retirement Benefits	48,316	41,476	89,792
Gas Purchases		5,462,754	5,462,754
Gas Transportation Fees		247,708	247,708
Depreciation Expense	317,101	74,774	391,875
Materials and Supplies	148,035	78,541	226,576
Utilities Purchased	169,273	7,787	177,060
Repairs and Maintenance	64,792	12,157	76,949
Travel and Miscellaneous	10,052	38,675	48,727
Dues and Publications	10,990	994	11,984
Gas and Oil	27,039	23,573	50,612
Telephone and Postage	7,494	34,814	42,308
Insurance	96,626	70,101	166,727
Professional Services	82,119	56,836	138,955
Sales Tax	17,688	67,140	84,828
Total Operating Expenses	1,367,818	6,546,837	7,914,655
Operating Income	132,147	279,045	411,192

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, 2008

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
Nonoperating Revenues (Expenses):			
Interest Revenue	26,002	61,253	87,255
Interest Expense and Fiscal Charges	(74,075)		(74,075)
Total Nonoperating Revenues (Expenses)	(48,073)	61,253	13,180
Income Before Operating Transfers and Contributions	84,074	340,298	424,372
Contributions in Aid of Construction Transfers Out	147,500	(93,272)	147,500
		<u>(93,272)</u>	<u>(93,272)</u>
Change in Net Assets	231,574	247,026	478,600
Total Net Assets, October 1	7,450,936	4,008,842	11,459,778
Total Net Assets, September 30	\$ 7,682,510	\$ 4,255,868	\$ 11,938,378

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, 2008

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,514,176	\$ 6,779,656	\$ 8,293,832
Cash Payments to Suppliers	(693,156)	(6,063,439)	(6,756,595)
Cash Payments to Employees	(380,753)	(340,113)	(720,866)
Net Cash Provided by Operating Activities	<u>440,267</u>	<u>376,104</u>	<u>816,371</u>
Cash Flows from Noncapital Financial Activities:			
Operating Transfers Out		(93,272)	(93,272)
Net Cash Used for Noncapital Financing Activities		<u>(93,272)</u>	<u>(93,272)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(249,981)	(17,441)	(267,422)
Contribution in Aid of Construction	147,500		147,500
Repayment of Long-term Debt	(183,441)		(183,441)
Interest Payment Long-term Debt	(74,075)		(74,075)
Net Cash Used for Capital and Related Financing Activities	<u>(359,997)</u>	<u>(17,441)</u>	<u>(377,438)</u>
Cash Flows from Investing Activities:			
Proceeds from Interest Earnings	26,002	61,253	87,255
Net Cash Provided by Investing Activities	<u>26,002</u>	<u>61,253</u>	<u>87,255</u>
Net Increase (Decrease) in Cash and Cash Equivalents	106,272	326,644	432,916
Cash and Cash Equivalents, October 1	596,087	1,406,086	2,002,173
Cash and Cash Equivalents, September 30	<u>\$ 702,359</u>	<u>\$ 1,732,730</u>	<u>\$ 2,435,089</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, 2008

	Business-type Activities Enterprise Funds		
	Water and Sewer	Gas	Total
Reconciliation of Operating Income to Net Cash Provided			
by (Used for) Operating Activities:			
Operating Income	\$ 132,147	\$ 279,045	\$ 411,192
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	317,101	74,774	391,875
(Increase) Decrease in Receivables	16,972	(40,287)	(23,315)
(Increase) Decrease in Prepaid Expense	10,106	15,274	25,380
(Increase) Decrease in Inventory of Supplies	(1,577)	20,091	18,514
(Increase) Decrease in Inventory of Natural Gas		48,853	48,853
Increase (Decrease) In Accounts Payable and Accrued Liabilities	(31,722)	(15,708)	(47,430)
Increase (Decrease) in Meter Deposits	(2,760)	(5,938)	(8,698)
Total Adjustments	308,120	97,059	405,179
Net Cash Provided by Operating Activities	\$ 440,267	\$ 376,104	\$ 816,371

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements
September 30, 2008

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.

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, 2008

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, 2008

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, 2008.

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, 2008

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, 2008

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 \$526,133 are as follows:

Capital outlay	\$ 715,129
Depreciation expense	<u>(188,996)</u>
	<u>\$ 526,133</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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, 2008 was \$3,015,644. 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, 2008

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

B. Property Taxes - Continued

The tax levies for the calendar years 2007, 2006 and 2005 (taxes collected in the fiscal years ending 9/30/08, 9/30/07 and 9/30/06) are as follows:

	9/30/08 Millage	9/30/07 Millage	9/30/06 Millage
City Funds			
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
Total Levy	9.75	9.75	9.75

C. Receivables

Receivables at September 30, 2008 for the government's individual major funds consist of the following:

	General	Water & Sewer	Gas	Total
Receivables:				
Trade Accounts	\$ 24,074	\$ 120,887	\$ 614,849	\$ 759,810
Franchise Fees	1,201			1,201
Sales Tax	93,804			93,804
Taxes	48,773			48,773
Interest Receivable	85	1,651	4,508	6,244
Total Receivables	\$ 167,937	\$ 122,538	\$ 619,357	\$ 909,832

D. Restricted Assets

A summary of restricted assets follows:

Restricted Cash

	Amount	Restriction
Gas Meter Fund Account	\$ 64,231	Refund of Customer Deposits
Water Meter Fund Account	36,344	Refund of Customer Deposits
Water & Sewer Cushion Fund	30,186	Requirement of Bonded Debt Retirements
Water & Sewer Contg. Fund	15,499	Requirement of Bonded Debt Retirements
Water & Sewer Int. Bond	10,250	Requirement of Bonded Debt Retirements
Water & Sewer Depr. Fund	15,531	Requirement of Bonded Debt Retirements
Water Tank Maintenance	1,385	Maintenance of Water Tank
Total Restricted Cash	173,426	

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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>\$ 493,460</u>	

E. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 546,060	\$ 249,896	\$	\$ 795,956
Construction in Progress	820,160	43,767	(685,347)	178,580
Total Capital Assets, not being Depreciated	<u>1,366,220</u>	<u>293,663</u>	<u>(685,347)</u>	<u>974,536</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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
Governmental Activities:				
Capital Assets, being Depreciated:				
Buildings	1,110,114	35,351		1,145,465
Improvements other than Buildings	1,439,186	13,763		1,452,949
Furniture, Vehicles and Equipment	1,420,215	279,079		1,699,294
Infrastructure	499,696	778,620		1,278,316
Total Capital Assets being Depreciated	4,469,211	1,106,813		5,576,024
Less Accumulated Depreciation For:				
Buildings	424,636	21,058		445,694
Improvements other than Buildings	292,736	51,871		344,607
Furniture, Vehicles and Equipment	980,442	85,579		1,066,021
Infrastructure	44,148	30,488		74,636
Total Accumulated Depreciation	1,741,962	188,996		1,930,958
Total Capital Assets, being Depreciated, Net	2,727,249	917,817		3,645,066
Governmental Activities Capital Assets, Net	\$ 4,093,469	\$ 1,211,480	\$ (685,347)	\$ 4,619,602
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Water and Sewer Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 135,065			\$ 135,065
Construction in Progress		147,500		147,500
Total Capital Assets, not being Depreciated	135,065	147,500		282,565

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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
Water and Sewer Activities:				
Capital Assets, being Depreciated:				
Buildings	21,119			21,119
Water and Sewer System	11,614,297			11,614,297
Furniture, Vehicles and Equipment	360,197	102,481		462,678
Total Capital Assets being Depreciated	11,995,613	102,481		12,098,094
Less Accumulated Depreciation For:				
Buildings	10,238	580		10,818
Water and Sewer System	3,128,303	304,670		3,432,973
Furniture, Vehicles and Equipment	331,341	11,851		343,192
Total Accumulated Depreciation	3,469,882	317,101		3,786,983
Total Capital Assets, being Depreciated, Net	8,525,731	(214,620)		8,311,111
Water and Sewer Activities Capital Assets, Net	\$ 8,660,796	\$ (67,120)	\$	\$ 8,593,676

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Gas Activities:				
Capital Assets, being Depreciated:				
Buildings	\$ 21,119	\$	\$	\$ 21,119
Gas System	2,136,238			2,136,238
Furniture, Vehicles and Equipment	399,334	17,441		416,775
Total Capital Assets being Depreciated	2,556,691	17,441		2,574,132

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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
Gas Activities:				
Less Accumulated Depreciation				
For:				
Buildings	10,238	580		10,818
Gas System	971,171	54,174		1,025,345
Furniture, Vehicles and Equipment	346,976	20,020		366,996
Total Accumulated Depreciation	<u>1,328,385</u>	<u>74,774</u>		<u>1,403,159</u>
 Total Capital Assets, being Depreciated, Net	 <u>1,228,306</u>	 <u>(57,333)</u>		 <u>1,170,973</u>
 Gas Activities Capital Assets, Net	 <u>\$ 1,228,306</u>	 <u>\$ (57,333)</u>	 <u>\$</u>	 <u>\$ 1,170,973</u>

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

Governmental Activities:	
General Government	\$ 65,441
Public Safety	51,801
Public Works	70,099
Parks and Recreation	<u>1,655</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 188,996</u>
 Business-type Activities:	
Water and Sewer	\$ 317,101
Gas	<u>74,774</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$ 391,875</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, 2008

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, 2008, are as follows:

	Balance, October 1, 2007	Additions	Retirements and Other	Balance September 30, 2008	Due Within One Year
Revenue Bond	\$ 156,642	\$	\$ (17,577)	\$ 139,065	\$ 18,473
Revenue Bond	81,566		(5,043)	76,523	5,346
Revenue Bond	188,200		(4,558)	183,642	4,738
Revenue Bond	91,468		(7,425)	84,043	7,420
Revenue Bond	45,152		(5,474)	39,678	5,755
Revenue Bond	242,694		(4,171)	238,523	4,308
Notes Payable	704,467		(134,999)	569,468	139,105
Notes Payable	275,772		(4,194)	271,578	4,311
	<u>\$ 1,785,961</u>	<u>\$</u>	<u>\$ (183,441)</u>	<u>\$ 1,602,520</u>	<u>\$ 189,456</u>

The principal and interest requirements of the above revenue bonds and notes payable at September 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 189,456	\$ 64,747	\$ 254,203
2010	196,256	57,947	254,203
2011	203,317	50,886	254,203
2012	197,792	43,554	241,346
2013	61,447	38,470	99,917
Thereafter	754,252	410,164	1,164,416
	<u>\$ 1,602,520</u>	<u>\$ 665,768</u>	<u>\$ 2,268,288</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2008

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 2008 were \$173,364, which was equal to the required contributions. The City's contributions to PERS for 2007 and 2006 were \$161,026 and \$153,539, respectively.

B. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2008 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, 2008

V. Other Information - Continued

C. Commitments and Contingencies - Continued

Construction Commitments

The City had one active construction project as of September 30, 2008. At the year end, the City's commitment with contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Intersection Improvements	\$ 178,580	\$ 59,659
Renovation of Bilrite Water Tank	147,500	2,500
	<u>\$ 326,080</u>	<u>\$ 62,159</u>

The intersection improvements project is funded by grants from the Mississippi Department of Transportation. The Bilrite Water Tank renovation project is funded by the State of Mississippi under the Rural Impact program.

Litigation

As of September 30, 2008, 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.

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, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes			
Current Ad Valorem	\$ 245,000	\$ 274,462	\$ 29,462
Prior Year Ad Valorem			
In Lieu of Taxes/Franchise Tax	195,000	220,180	25,180
Intergovernmental Revenues			
State Shared Revenues:			
Sales Tax	1,180,000	1,231,823	51,823
Fire Protection Refund	26,000	28,372	2,372
State Gasoline Tax	9,900	9,829	(71)
General Municipal Aid	2,800	2,855	55
Collection from County:			
Road Tax	150,000	141,502	(8,498)
Fire Protection Refund	20,000	20,000	
Fines and Forfeitures	70,000	125,758	55,758
Privilege Tax	18,300	18,481	181
Gross Receipts Tax - Cable	13,500	14,100	600
Building Fees, Permits and Inspections	8,200	26,358	18,158
Park Revenue	30,000	30,189	189
Charges for Services:			
Sanitation	288,000	283,135	(4,865)
Grant Revenue	73,065	106,003	32,938
Miscellaneous	22,000	69,179	47,179
Interest	8,000	17,942	9,942
Total Revenues	<u>\$ 2,359,765</u>	<u>\$ 2,620,168</u>	<u>\$ 260,403</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, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
General Government	\$ 1,005,454	\$ 959,499	\$ 45,955
Public Safety	1,095,259	1,056,145	39,114
Public Works	932,302	912,595	19,707
Parks and Recreation	263,071	247,334	15,737
Total Expenditures	3,296,086	3,175,573	120,513
 Excess (Deficiency) of Revenues Over (Under) Expenditures	(936,321)	(555,405)	139,890
 Other Financing Sources (Uses):			
Transfer In	936,321	323,512	(612,809)
Total Other Financing Sources	936,321	323,512	(612,809)
Net Change in Fund Balances	\$	(231,893)	\$ (472,919)
 Fund Balances, October 1		966,452	
 Fund Balances, September 30		\$ 734,559	

See accompanying notes to required supplementary information.

CITY OF RIPLEY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2008

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, 2008, is as follows:

Fund Balance - Budgetary Basis	\$ 734,559
Adjustment:	
Change in Revenue Accruals	<u>(94,217)</u>
Fund Balance - GAAP Basis	<u>\$ 640,342</u>

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Reconciliation of Original Ad-Valorem
Tax Rolls to Fund Collections
Year Ended September 30, 2008

	Assessed Value	Millage	Tax
<u>Assessed Valuation and Millage</u>			
Realty	19,311,988	9.75 Mills	\$ 188,292
Personal	4,460,097	9.75 Mills	43,486
Public Utilities	601,796	9.75 Mills	5,868
Auto	5,527,604	9.75 Mills	53,894
	29,901,485		291,540
Less: Homestead Exemption Allowed			(29,000)
Exempted Industries			(2,862)
Total			259,678
<u>Collection Adjustments</u>			
Add: Actual Homestead Reimbursement			25,741
Mobile Home Tax			996
TVRHA in Lieu of Tax			1,938
Other Privilege Tax			3,848
Prior Year Taxes			3,383
Penalties & Interest on Delinquent Taxes			1,720
Less: County Tax Collector's Collections			(13,064)
<u>Total to be Accounted For</u>			\$ 284,240
	Taxes	Homestead Reimbursement	Total
Collection Credits Allocated to Funds:			
General Fund	\$ 255,292	\$ 25,741	\$ 281,033
Balance Represented by: Unpaid Property Taxes			3,207
<u>Total Accounted For</u>			\$ 284,240

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 2006	\$ 257,388	Taxes collected 2007	\$ 255,292
10% Increase	25,739	Homestead Exemption Reimb.	25,741
Exemption	(1,690)	Under (Over) Limitation	404
Total	\$ 281,437	Total	\$ 281,437

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Investments - All Funds
September 30, 2008

The following is a schedule of investments at September 30, 2008:

Certificates of Deposit

<u>Fund Account Name</u>	<u>Balance</u> <u>9/30/08</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>
General Fund Account	\$ 102,865	11-15-08	2.15%
Palmer Water System	9,000	08-23-09	2.58%
Murry Spur Water System	10,800	08-23-09	2.58%
Water Meter Fund Account	10,000	07-19-09	2.58%
Water Meter Fund Account	10,000	03-09-09	2.52%
Water & Sewer Contingent Account	4,500	07-19-09	2.58%
Water & Sewer Depreciation Account	4,500	07-19-09	2.58%
Water & Sewer Cushion Account	9,000	07-19-09	2.58%
Water Meter Fund Account	20,000	02-15-09	3.20%
Water & Sewer Cushion Account	3,000	12-18-09	2.52%
Water & Sewer Depreciation Account	1,500	12-18-09	2.52%
Water & Sewer Contingent Account	1,500	12-18-09	2.52%
Gas Meter Account	25,650	03-09-09	2.52%
Gas Cushion Account	13,000	10-23-08	2.15%
Gas Depreciation Account	8,000	07-19-09	2.58%
Gas Contingent Account	2,000	10-23-08	2.15%
Gas Operations	115,821	02-15-09	3.20%
Gas Cushion Account	37,000	07-19-09	2.58%
Gas Depreciation Account	2,000	10-23-08	2.15%
Gas Contingent Account	8,000	07-19-09	2.58%
Gas Meter Account	10,000	07-19-09	2.58%
Gas Meter Account	10,000	01-09-09	2.52%
Gas Meter Account	10,000	12-12-08	4.05%
Gas Operations	115,494	01-28-09	2.52%
Gas Operations	112,767	12-17-08	2.30%
Gas Meter	40,000	02-15-09	3.20%
Gas Meter	30,500	02-19-09	2.52%
Water & Sewer Meter	15,463	01-14-09	2.52%
Water & Sewer Cushion	8,000	02-15-09	3.20%
Water & Sewer Depreciation	2,500	02-15-09	3.20%
Water & Sewer Contingent	2,500	02-15-09	3.20%
Water & Sewer Depreciation Account	2,905	11-14-08	4.10%
Water & Sewer Contingent Account	2,905	11-14-08	4.10%
Water & Sewer Cushion Account	5,811	11-14-08	4.10%
East Ripley Sewer #6	82,448	10-16-08	2.15%
Antioch Reserve	10,745	08-25-09	2.58%
Total	<u>\$ 860,174</u>		

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Surety Bonds for Municipal Officials
and Other Municipal Employees
September 30, 2008

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		
Robin Verner	50,000	1-30-2009
Police Chief		
Mo Graddy	50,000	7-01-2009

LINDSEY, DAVIS AND ASSOCIATES

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STOCKHOLDER
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MEMBER:
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CERTIFIED PUBLIC ACCOUNTANTS

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, 2008, which collectively comprise the City of Ripley's basic financial statements and have issued our report thereon dated May 27, 2009. 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.

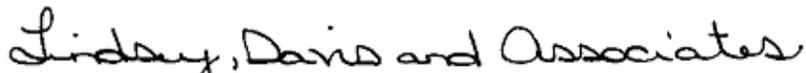
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ripley's internal control.

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 27, 2009