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City Clerk  
RITA TALFORD

Deputy Clerk  
JANICE GOLLIDAY

# CITY OF BRUCE

P. O. BOX 667 • BRUCE, MISSISSIPPI 38915  
(662) 983-2453 • Fax (662) 983-2433  
ROBERT EDWARD OAKLEY, Mayor

City Attorney  
JIM BECKETT

Chief of Police  
STAN EVANS

March 7, 2013

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

To Whom It May Concern:

Please find enclosed 2 copies of the annual audit report for the City of Bruce, Mississippi, for the fiscal year ended September 30, 2012.

The only management letter received is presented as part of the annual audit.

Sincerely,



Rita Talford  
City Clerk

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**CITY OF BRUCE, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2012**

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REX ASHLEY, LTD.

*Gina Bridgman*

CERTIFIED PUBLIC ACCOUNTANT  
15 WEST REYNOLDS  
PONTOTOC, MISSISSIPPI 38863

Member of Mississippi Society  
of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen  
City of Bruce, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bruce, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bruce, Mississippi's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 statement. An audit also included assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the City of Bruce, Mississippi prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bruce, Mississippi, as of September 30, 2012, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 25, 2013, on my consideration of the City of Bruce, Mississippi's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The City has not presented the required management's discussion and analysis. My opinion on the basic financial statement is not affected by the missing information. I have applied certain limited procedures to the required budgetary comparison information on pages 15 and 16 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bruce, Mississippi's basic financial statements. The other supplemental information section which includes schedules of investments, capital assets, long-term debt and surety bonds is presented for purposes of additional analysis as required by the State Auditor's office and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.



Rex Ashley, Ltd  
Pontotoc, MS  
February 25, 2013

**CITY OF BRUCE, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| Function / Programs                     | Program Cash Receipts |                      |                                    |                                  | Net (Disbursements) Receipts and Changes in Net Assets |                          |                |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------|
|   | Cash Disbursements    | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                                | Business-Type Activities | Total          |
| <b>PRIMARY GOVERNMENT</b>               |                       |                      |                                    |                                  |  |                          |                |
| Government activities:                  |                       |                      |                                    |                                  |  |                          |                |
| General government                      | \$ 300,026            | \$ 5,925             | \$ -                               | \$ -                             | \$ (294,101)   | \$ -                     | \$ (294,101)   |
| Public safety                           | 468,005               | 111,956              | 8,192                              | -                                | (347,857)  | -                        | (347,857)      |
| Culture and recreation                  | 236,024               | 7,169                | -                                  | 24,427                           | (204,428)  | -                        | (204,428)      |
| Sanitation                              | 102,085               | 105,533              | -                                  | -                                | 3,448  | -                        | 3,448          |
| Street maintenance                      | 336,662               | -                    | -                                  | 46,069                           | (290,593)  | -                        | (290,593)      |
| Total Governmental Activities           | \$ 1,442,802          | \$ 230,583           | \$ 8,192                           | \$ 70,496                        | \$ (1,133,531)   | \$ -                     | \$ (1,133,531) |
| <b>Business-Type Activities</b>         |                       |                      |                                    |                                  |  |                          |                |
| Water and sewer                         | \$ 524,935            | \$ 442,724           | \$ -                               | \$ 98,500                        | \$ -   | \$ 16,289                | \$ 16,289      |
| Total Business-Type Activities          | \$ 524,935            | \$ 442,724           | \$ -                               | \$ 98,500                        | \$ -   | \$ 16,289                | \$ 16,289      |
| Total Primary Government                | \$ 1,967,737          | \$ 673,307           | \$ 8,192                           | \$ 168,996                       | \$ (1,133,531)   | \$ 16,289                | \$ (1,117,242) |
| <b>General Receipts:</b>                |                       |                      |                                    |                                  |  |                          |                |
| <b>Taxes:</b>                           |                       |                      |                                    |                                  |  |                          |                |
| Ad valorem                              |                       |                      |                                    | \$ 385,738                       | \$ -   | \$ -                     | \$ 385,738     |
| Sales taxes                             |                       |                      |                                    | 478,546                          |  |                          | 478,546        |
| In lieu of taxes                        |                       |                      |                                    | 58,875                           |  |                          | 58,875         |
| Franchise taxes                         |                       |                      |                                    | 51,529                           |  |                          | 51,529         |
| Unrestricted investment income          |                       |                      |                                    | 4,400                            | 1,868  |                          | 6,268          |
| Intergovernmental                       |                       |                      |                                    | 90,389                           |  |                          | 90,389         |
| Water deposit receipts                  |                       |                      |                                    |                                  | 5,716  |                          | 5,716          |
| Miscellaneous                           |                       |                      |                                    | 19,637                           |  |                          | 19,637         |
| Interfund loans                         |                       |                      |                                    | 12,757                           | (12,757)   |                          | -              |
| Rent                                    |                       |                      |                                    | 120,000                          |  |                          | 120,000        |
| Total General Receipts                  |                       |                      |                                    | \$ 1,221,871                     | \$ (5,173)   | \$ -                     | \$ 1,216,698   |
| <b>Changes in Net Assets</b>            |                       |                      |                                    |                                  |  |                          |                |
|   |                       |                      |                                    | \$ 88,340                        | \$ 11,116  | \$ -                     | \$ 99,456      |
| <b>Net Assets at October 1, 2011</b>    |                       |                      |                                    |                                  |  |                          |                |
|   |                       |                      |                                    | 1,637,272                        | 136,482  |                          | 1,773,754      |
| <b>Net Assets at September 30, 2012</b> |                       |                      |                                    |                                  |  |                          |                |
|   |                       |                      |                                    | \$ 1,725,612                     | \$ 147,598   | \$ -                     | \$ 1,873,210   |

**CITY OF BRUCE, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| Function / Programs                      | Program Cash Receipts |                      |                                    |                                  | Net (Disbursements) Receipts and Changes in Net Assets |                          |       |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|-------|
|  | Cash Disbursements    | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                                | Business-Type Activities | Total |
| <b>(CONTINUED)</b>                       |                       |                      |                                    |                                  |  |                          |       |
| <b>ASSETS</b>                            |                       |                      |                                    |                                  |  |                          |       |
| Cash and equivalents                     |                       |                      | \$ 1,706,411                       | \$ 98,500                        | \$   | \$ 1,804,911             |       |
| Restricted cash                          |                       |                      | 19,201                             | 49,098                           |  | 68,299                   |       |
| Total Assets                             |                       |                      | <u>\$ 1,725,612</u>                | <u>\$ 147,598</u>                | <u>\$</u>  | <u>\$ 1,873,210</u>      |       |
| <b>NET ASSETS</b>                        |                       |                      |                                    |                                  |  |                          |       |
| Restricted for fire prevention           |                       |                      | \$ 14,366                          |                                  | \$   | \$ 14,366                |       |
| Restricted for law enforcement           |                       |                      | 2,025                              |                                  |  | 2,025                    |       |
| Restricted for meter deposits            |                       |                      |                                    | 49,098                           |  | 49,098                   |       |
| Restricted for unemployment compensation |                       |                      | 2,810                              |                                  |  | 2,810                    |       |
| Unrestricted                             |                       |                      | 1,706,411                          | 98,500                           |  | 1,804,911                |       |
| Total Net Assets                         |                       |                      | <u>\$ 1,725,612</u>                | <u>\$ 147,598</u>                | <u>\$</u>  | <u>\$ 1,873,210</u>      |       |

CITY OF BRUCE, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012

|  | Governmental Activities |                      | Business-Type Activities |            |
|--|-------------------------|----------------------|--------------------------|------------|
|  | General Fund            | Other Nonmajor Funds | Water & Sewer Fund       | Total      |
| <b>RECEIPTS</b>                            |                         |                      |                          |            |
| Taxes - Ad Valorem                         | \$ 385,738              | \$ -                 | \$ -                     | \$ -       |
| In lieu of taxes                           | 58,874                  | 58,874               |                          |            |
| Penalties and interest on delinquent taxes | -                       | -                    |                          |            |
| Franchise taxes                            | 51,529                  | 51,529               |                          |            |
| Licenses and permits                       | 5,925                   | 5,925                |                          |            |
| Recreation                                 | 7,169                   | 7,169                |                          |            |
| Intergovernmental revenues                 | -                       | -                    |                          |            |
| Charges for services:                      |                         |                      |                          |            |
| Sanitization                               | 105,533                 | 105,533              | 442,724                  | 442,724    |
| Water and sewer                            |                         |                      |                          |            |
| Fines and forfeits                         | 92,156                  | 92,156               |                          |            |
| Rent                                       | 120,000                 | 120,000              |                          |            |
| County shared revenues:                    |                         |                      |                          |            |
| Road taxes                                 | 74,011                  | 74,011               |                          |            |
| Fire                                       | 19,800                  | 19,800               |                          |            |
| State shared revenue                       |                         |                      |                          |            |
| Sales tax                                  | 478,546                 | 478,546              |                          |            |
| Municipal aid                              | 6,273                   | 6,273                |                          |            |
| Fire protection                            | 10,105                  | 10,105               |                          |            |
| Federal grants                             | 76,646                  | 76,646               | 98,500                   | 98,500     |
| Interest                                   | 4,400                   | 4,400                | 1,868                    | 1,868      |
| Donations                                  | 2,042                   | 2,042                |                          |            |
| Miscellaneous                              | 10,250                  | 10,251               |                          |            |
| Total Receipts                             | \$ 1,508,997            | \$ 1                 | \$ 543,092               | \$ 543,092 |

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**CITY OF BRUCE, MISSISSIPPI**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND**  
**CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

|                             | Governmental Activities |                      |              | Business-Type Activities |            |
|-----------------------------|-------------------------|----------------------|--------------|--------------------------|------------|
|                             | General Fund            | Other Nonmajor Funds | Total        | Water & Sewer Fund       | Total      |
| <b>DISBURSEMENTS</b>        |                         |                      |              |                          |            |
| General government          | \$ 298,279              | \$ 6                 | \$ 298,285   | \$ -                     | \$ -       |
| Public safety               | 453,801                 | -                    | 453,801      | -                        | -          |
| Culture and recreation      | 224,349                 | -                    | 224,349      | -                        | -          |
| Sanitation                  | 102,085                 | -                    | 102,085      | -                        | -          |
| Street maintenance          | 284,217                 | -                    | 284,217      | -                        | -          |
| Enterprise: Water and sewer | -                       | -                    | -            | 333,403                  | 333,403    |
| Total Disbursements         | \$ 1,362,731            | \$ 6                 | \$ 1,362,737 | \$ 333,403               | \$ 333,403 |

|  |            |        |            |            |            |
|--|------------|--------|------------|------------|------------|
| <b>Excess of Receipts Over (Under) Disbursements</b> | \$ 146,266 | \$ (5) | \$ 146,261 | \$ 209,689 | \$ 209,689 |
|--|------------|--------|------------|------------|------------|

| <b>OTHER CASH SOURCES (USES)</b> |             |      |             |              |              |
|----------------------------------|-------------|------|-------------|--------------|--------------|
| Debt repaid                      | \$ -        | \$ - | \$ -        | \$ -         | \$ -         |
| Interest on loans                | -           | -    | -           | -            | -            |
| Capital outlay                   | (80,065)    | -    | (80,065)    | (191,532)    | (191,532)    |
| Interfund transfers              | -           | -    | -           | -            | -            |
| Interfund loan repayment         | 12,757      | -    | 12,757      | (12,757)     | (12,757)     |
| Overpayment to supplier          | 9,387       | -    | 9,387       | -            | -            |
| Water deposits                   | -           | -    | -           | 5,716        | 5,716        |
| Total Other Cash Sources (Uses)  | \$ (57,921) | \$ - | \$ (57,921) | \$ (198,573) | \$ (198,573) |

|  |           |        |           |           |           |
|--|-----------|--------|-----------|-----------|-----------|
| <b>Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses</b> | \$ 88,345 | \$ (5) | \$ 88,340 | \$ 11,116 | \$ 11,116 |
|--|-----------|--------|-----------|-----------|-----------|

|  |              |            |              |            |            |
|--|--------------|------------|--------------|------------|------------|
| <b>CASH BASIS FUND BALANCE, OCTOBER 1, 2011</b>    | 1,288,345    | 348,927    | 1,637,272    | 136,482    | 136,482    |
| <b>CASH BASIS FUND BALANCE, SEPTEMBER 30, 2012</b> | \$ 1,376,690 | \$ 348,922 | \$ 1,725,612 | \$ 147,598 | \$ 147,598 |

**CITY OF BRUCE, MISSISSIPPI**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND**  
**CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

|   | Governmental Activities |                      |                     | Business-Type Activities |                    |                   |                   |
|---|-------------------------|----------------------|---------------------|--------------------------|--------------------|-------------------|-------------------|
|   | General Fund            | Other Nonmajor Funds |                     | Total                    | Water & Sewer Fund |                   | Total             |
|   |                         |                      |                     |                          |                    |                   |                   |
| <b>CASH BASIS ASSETS - End of year</b>        |                         |                      |                     |                          |                    |                   |                   |
| Cash and cash equivalents                     | \$ 1,357,489            | \$ 348,922           | \$ 1,706,411        | \$ 98,500                | \$ 98,500          | \$ 197,000        | \$ 98,500         |
| Restricted cash                               | 19,201                  | -                    | 19,201              | 49,098                   | 49,098             | 98,196            | 49,098            |
| Total Cash Basis Assets                       | <u>\$ 1,376,690</u>     | <u>\$ 348,922</u>    | <u>\$ 1,725,612</u> | <u>\$ 147,598</u>        | <u>\$ 147,598</u>  | <u>\$ 295,196</u> | <u>\$ 147,598</u> |
| <b>CASH BASIS FUND BALANCES - End of year</b> |                         |                      |                     |                          |                    |                   |                   |
| Reserved                                      | \$ 19,201               | \$ -                 | \$ 19,201           | \$ 49,098                | \$ 49,098          | \$ 98,196         | \$ 49,098         |
| Unreserved                                    | 1,357,489               | 348,922              | 1,706,411           | 98,500                   | 98,500             | 197,000           | 98,500            |
| Total Cash Basis Fund Balances                | <u>\$ 1,376,690</u>     | <u>\$ 348,922</u>    | <u>\$ 1,725,612</u> | <u>\$ 147,598</u>        | <u>\$ 147,598</u>  | <u>\$ 295,196</u> | <u>\$ 147,598</u> |

CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

Note 1 – Summary of Significant Accounting Policies

*A. Financial Reporting Entity*

The City of Bruce, Mississippi (the City) was incorporated in 1927. The City operates under a Mayor-Board of Alderman form of government and provides all of the rights and privileges provided by statute for municipalities.

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

*B. Government-wide and Fund Financial Statements*

Basic financial statements consist of the following:

Statement of activities and net assets – cash basis

Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City combines the statement of activities and statement of net assets.

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

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

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements  
September 30, 2012

Note1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

The City reports the following major governmental fund:

The **general fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The City reports the following major proprietary fund:

The **water and sewer fund** accounts for the activities of providing water and sewer services to citizens of the City.

Additionally, the City reports the following fund type:

The **capital project fund** which is not legally restricted but is used as a reserve by the City for capital expansion.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

D. *Assets and Net Assets of Equity*

1. *Cash and Investments*

The government's cash and cash equivalents are considered to be cash in checking or savings accounts or cash invested in certificates of deposit.

CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements  
September 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

2. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

Cash is comprised of the following at September 30, 2012

|                                  | <b>Cash and<br/>Cash<br/>Equivalents</b> | <b>Restricted<br/>Cash and<br/>Cash<br/>Equivalents</b> | <b>Total</b>       |
|----------------------------------|--|---|--------------------|
| <b>Governmental Activities:</b>  |  |   |                    |
| General fund                     | \$1,357,489                              | \$ 19,201   | \$1,376,690        |
| Capital project fund             | <u>348,922</u>                           | <u>-</u>  | <u>348,922</u>     |
| Total Governmental Activities    | <u>\$1,706,411</u>                       | <u>\$ 19,201</u>  | <u>\$1,725,612</u> |
| <b>Business-Type Activities:</b> |  |   |                    |
| Water and Sewer fund             | \$ 98,500                                | \$ 49,098   | \$ 147,598         |
| Total Business-Type Activities   | <u>\$ 98,500</u>                         | <u>\$ 49,098</u>  | <u>\$ 147,598</u>  |
| <b>Government-Wide Total</b>     | <u>\$1,804,911</u>                       | <u>\$ 68,299</u>  | <u>\$1,873,210</u> |

Deposits at September 30, 2012 are summarized as follows:

|                         | <b>Reported<br/>Amount</b> | <b>Bank<br/>Balance</b> |
|-------------------------|----------------------------|-------------------------|
| Cash                    | \$ 877,092                 | \$ 898,889              |
| Certificates of deposit | <u>996,118</u>             | <u>996,118</u>          |
| <b>Total Deposits</b>   | <u>\$ 1,873,210</u>        | <u>\$1,895,007</u>      |

CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements  
September 30, 2012

Note 2 – Cash and Cash Equivalents (continued)

The difference of \$ 21,798 was principally due to outstanding checks.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2012, none of the City's bank balance of \$ 1,895,007 was exposed to custodial credit risk.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a mean of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33 (d) and 27-105-33(e) Miss. Code Ann. (1972). The city does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2012, the City had no investments other than certificates of deposit.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. Cities may invest any funds in excess of sums required for immediate expenditure or current obligations. State statues limit the City's eligible investments to approved certificates of deposit or direct obligations of the United States of America and any Mississippi school, county or state obligations.

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CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements  
September 30, 2012

Note 2 – Cash and Cash Equivalents (continued)

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

Note 3 – Property Tax

The City levies property taxes annually based upon assessed valuations by the county. The City collects its real and personal property ad valorem taxes. Automobile ad valorem taxes and certain road taxes are collected by the Calhoun County tax collector and disbursed to the City. Current collections of taxes for the year ended September 30, 2012 were approximately 99.8% of the total tax levy.

The tax rate levied by the City for fiscal year 2012 remained at 26.4 mills. The general fund receives all property tax collections and allocates them between departments as follows:

|  |            |
|--|------------|
| Park                                     | \$ 19,080  |
| Library                                  | \$ 13,198  |
| Admin, Public<br>Safety, Public<br>Works | \$ 353,460 |

Note 4 – Defined Benefit Pension Plan

Public Employees' Retirement System

A. *Plan Description and Provisions*

The City of Bruce, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employee 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 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF BRUCE, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

Note 4 – Defined Benefit Pension Plan (continued)

*B. Plan Funding Policy*

PERS members are required to contribute 9.0% of their annual covered salary and the City of Bruce, Mississippi is required to contribute at an actuarially determined rate, currently set at 14.25%. The contribution requirements of PERS members are established and may be amended only the State of Mississippi Legislature. The City of Bruce, Mississippi's contributions to PERS for the years ended September 30, 2012, 2011 and 2010 were \$75,578, \$74,463 and \$63,817 respectively, equal to the required contributions for each year.

*C. Trend Information*

Ten year historical information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS' June 30, 2012 comprehensive annual financial report.

Note 5- Litigation

The City is currently involved in one lawsuit. An employee filed an EEOC complaint against the City in August, 2010. There is a chance of an unfavorable outcome but it is impossible at this time to estimate any potential liability.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BRUCE, MISSISSIPPI**  
 Budgetary Comparison Schedule - Budget and Actual  
 General Fund  
 For the Year Ended September 30, 2012

|  | Budgeted Amounts    |                     | Actual                          | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------------------|-------------------------------|
|  | Original            | Final               | Amounts<br>(Budgetary<br>Basis) |                               |
| <b>RECEIPTS</b>                            |                     |                     |                                 |                               |
| Taxes-ad valorem                           | \$ 351,455          | \$ 349,508          | \$ 385,738                      | \$ 36,230                     |
| In lieu of taxes                           | 60,000              | 60,000              | 58,874                          | (1,126)                       |
| Penalties and interest on delinquent taxes | -                   | -                   | -                               | -                             |
| Franchise fees                             | 50,000              | 50,000              | 51,529                          | 1,529                         |
| Licenses and permits                       | 4,700               | 4,700               | 5,925                           | 1,225                         |
| Recreation                                 | 3,400               | 3,400               | 7,169                           | 3,769                         |
| Intergovernmental revenues                 | -                   | -                   | -                               | -                             |
| Charges for services: sanitation           | 105,500             | 105,500             | 105,533                         | 33                            |
| Fines and forfeits                         | 90,000              | 90,000              | 92,156                          | 2,156                         |
| Rent                                       | 120,000             | 120,000             | 120,000                         | -                             |
| County shared revenue:                     |                     |                     |                                 |                               |
| Road taxes                                 | 65,000              | 65,000              | 74,011                          | 9,011                         |
| Fire                                       | 12,250              | 12,250              | 19,800                          | 7,550                         |
| State shared revenue:                      |                     |                     |                                 |                               |
| Sales tax                                  | 450,000             | 450,000             | 478,546                         | 28,546                        |
| Municipal aid                              | 7,000               | 7,000               | 6,273                           | (727)                         |
| Fire protection                            | 11,000              | 11,000              | 10,105                          | (895)                         |
| Federal grants                             | -                   | 82,638              | 76,646                          | (5,992)                       |
| Interest earned                            | 6,800               | 6,800               | 4,400                           | (2,400)                       |
| Donations                                  | 4,250               | 4,250               | 2,042                           | (2,208)                       |
| Miscellaneous                              | 11,000              | 11,000              | 10,250                          | (750)                         |
| Total Receipts                             | <u>\$ 1,352,355</u> | <u>\$ 1,433,046</u> | <u>\$ 1,508,997</u>             | <u>\$ 75,951</u>              |
| <b>EXPENDITURES</b>                        |                     |                     |                                 |                               |
| General government                         |                     |                     |                                 |                               |
| Personnel                                  | \$ 268,488          | \$ 268,488          | \$ 219,079                      | \$ 49,409                     |
| Supplies                                   | 13,650              | 13,650              | 14,129                          | (479)                         |
| Professional services                      | 47,250              | 65,150              | 65,071                          | 79                            |
| Public safety                              |                     |                     |                                 |                               |
| Personnel                                  | 301,626             | 301,626             | 308,181                         | (6,555)                       |
| Supplies                                   | 77,050              | 124,537             | 114,474                         | 10,063                        |
| Professional services                      | 33,875              | 33,875              | 31,146                          | 2,729                         |
| Sanitation                                 |                     |                     |                                 |                               |
| Professional services                      | 105,000             | 105,000             | 102,086                         | 2,914                         |
| Streets                                    |                     |                     |                                 |                               |
| Personnel                                  | 127,024             | 127,024             | 126,379                         | 645                           |
| Supplies                                   | 36,720              | 50,220              | 40,123                          | 10,097                        |
| Professional services                      | 168,257             | 181,257             | 117,715                         | 63,542                        |

The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF BRUCE, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2012**

|  | Budgeted Amounts    |                     | Actual<br>Amounts    | Variance with<br>Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
|  | Original            | Final               | (Budgetary<br>Basis) |                               |
| <b>EXPENDITURES (Continued)</b>                      |                     |                     |                      |                               |
| Culture and recreation                               |                     |                     |                      |                               |
| Personnel  | 139,037             | 139,037             | 139,885              | (848)                         |
| Supplies   | 31,110              | 39,110              | 51,118               | (12,008)                      |
| Professional services                                | 34,920              | 37,920              | 33,345               | 4,575                         |
| Total Expenditures                                   | <u>\$ 1,384,007</u> | <u>\$ 1,486,894</u> | <u>\$ 1,362,731</u>  | <u>\$ 124,163</u>             |
| Excess (deficiency) of revenues<br>over expenditures | <u>\$ (31,652)</u>  | <u>\$ (53,848)</u>  | <u>\$ 146,266</u>    | <u>\$ 200,114</u>             |
| <b>OTHER CASH SOURCES (USES)</b>                     |                     |                     |                      |                               |
| Interfund transfers                                  | \$ 140,000          | \$ 203,759          | \$ -                 | \$ (203,759)                  |
| Interfund loans                                      | -                   | -                   | 12,757               | 12,757                        |
| Capital outlay                                       | (5,520)             | (163,005)           | (80,065)             | 82,940                        |
| Overpayment to supplier                              | -                   | -                   | 9,387                | 9,387                         |
| Total other financing uses                           | <u>\$ 134,480</u>   | <u>\$ 40,754</u>    | <u>\$ (57,921)</u>   | <u>\$ (98,675)</u>            |
| Net Change in Cash Basis Fund Balance                | \$ 102,828          | \$ (13,094)         | \$ 88,345            | \$ 101,439                    |
| Cash Basis Fund Balance, October 1, 2011             | <u>(45,715)</u>     | <u>(133,685)</u>    | <u>1,288,345</u>     | <u>1,422,030</u>              |
| Cash Basis Fund Balance, September 30, 2012          | <u>\$ 57,113</u>    | <u>\$ (146,779)</u> | <u>\$ 1,376,690</u>  | <u>\$ 1,523,469</u>           |

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF BRUCE, MISSISSIPPI

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

Note A – Budgetary Information

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Alderman of the City, using historical and anticipated fiscal data, prepare an original budget for the general fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Alderman that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to the budget because state law does not require that funds be available when good or services are ordered, only when payment is made.

Note B – Basis of Presentation

The Budgetary Comparison Schedule – budget, actual and variance - present the original adopted budget, the final adopted budget, actual amounts on a budgetary basis and variance between the final budget and the actual amounts. The schedule is presented for the General Fund.

Note C – Budget Reconciliation

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

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**SUPPLEMENTAL INFORMATION**

**CITY OF BRUCE, MISSISSIPPI**  
**SCHEDULE OF INVESTMENTS-ALL FUNDS**  
 September 30, 2012

|   | <b>Deposit<br/>Amount</b> |
|---|---------------------------|
| Certificate of Deposit with M & F Bank<br>maturing January 3, 2013, Interest Rate 4.28% | \$ 44,308                 |
| Certificate of Deposit with M & F Bank<br>maturing August 16, 2014, Interest Rate 1.59% | \$ 2,810                  |
| Certificate of Deposit with M & F Bank<br>maturing March 10, 2013, Interest Rate .5%    | \$ <u>949,000</u>         |
|   | \$ <u><u>996,118</u></u>  |
| Fund Recap:   |                           |
| General Fund  | \$ 951,810                |
| Water and Sewer Fund  | <u>44,308</u>             |
|   | <u><u>\$ 996,118</u></u>  |

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**CITY OF BRUCE, MISSISSIPPI**

SCHEDULE OF CAPITAL ASSETS

For the Fiscal Year Ended September 30, 2012

|  | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance   |
|--|----------------------|-------------------|-------------------|---------------------|
| <b>Governmental activities:</b>                      |                      |                   |                   |                     |
| Capital assets:                                      |                      |                   |                   |                     |
| Land   | \$ 547,600           | \$ -              | \$ -              | \$ 547,600          |
| Buildings  | 5,404,100            |                   |                   | 5,404,100           |
| Machinery and equipment                              | 404,661              | 28,309            | (2,000)           | 430,970             |
| Infrastructure                                       | 539,091              | 51,756            |                   | 590,847             |
| <b>Total Governmental activities capital assets</b>  | <b>\$ 6,895,452</b>  | <b>\$ 80,065</b>  | <b>\$ (2,000)</b> | <b>\$ 6,973,517</b> |
| <b>Business-type activities:</b>                     |                      |                   |                   |                     |
| Capital assets:                                      |                      |                   |                   |                     |
| Land   | \$ 100,100           | \$ -              | \$ -              | \$ 100,100          |
| Buildings  | 120,000              |                   |                   | 120,000             |
| Machinery and equipment                              | 143,077              | 57,546            |                   | 200,623             |
| Infrastructure                                       | 1,560,950            | 133,985           |                   | 1,694,935           |
| <b>Total Business-type activities capital assets</b> | <b>\$ 1,924,127</b>  | <b>\$ 191,531</b> | <b>\$ -</b>       | <b>\$ 2,115,658</b> |

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**CITY OF BRUCE, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Fiscal Year Ended September 30, 2012**

| Issue Date | Definition and Purpose     | Balance Outstanding 10/1/11 | Issued | Redeemed | Balance Outstanding 9/30/12 |
|------------|----------------------------|-----------------------------|--------|----------|-----------------------------|
|            | Government Type Activities | \$ -                        |        |          | \$ -                        |
|            | Business Type Activities   | \$ -                        |        |          | \$ -                        |

**CITY OF BRUCE, MISSISSIPPI**  
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
 September 30, 2012

| Name                           | Position        | Surety                              | Bond Amount |
|--------------------------------|-----------------|-------------------------------------|-------------|
| Robert E. Oakley               | Mayor           | Travelers Casualty & Surety Company | \$ 50,000   |
| Gary Edwards                   | Alderman        | Travelers Casualty & Surety Company | 50,000      |
| Johnny Armstrong               | Alderman        | Travelers Casualty & Surety Company | 50,000      |
| Steve Nelson                   | Alderman        | Travelers Casualty & Surety Company | 50,000      |
| John E. Armstrong              | Alderman        | Travelers Casualty & Surety Company | 50,000      |
| Lyndon Parsons                 | Alderman        | Travelers Casualty & Surety Company | 50,000      |
| Rita Talford                   | City Clerk      | Western Surety Company              | 50,000      |
| Rita Talford                   | Tax Collector   | Western Surety Company              | 10,000      |
| Stanley Evans                  | Chief of Police | Western Surety Company              | 50,000      |
| Other specified city employees | Various         | Western Surety Company              | 25,000      |

**COMPLIANCE REPORTS**

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 Bruce  
Bruce, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bruce, Mississippi as of and for the year ended September 30, 2012, and have issued my report thereon dated February 25, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and with 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

Management of City of Bruce, Mississippi, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered City of Bruce, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bruce, Mississippi's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Bruce, Mississippi's internal control over financial reporting.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bruce, Mississippi's financial statements are free of material misstatement, I 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 the audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Bruce, Mississippi, in a separate letter dated February 25, 2013.

This report is intended solely for the information and use of management, Mayor and Board of Aldermen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Rex Ashley, Ltd.  
Pontotoc, MS  
February 25, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

To the Honorable Mayor and Board of Aldermen  
City of Bruce, Mississippi

I have audited the basic financial statements of the City of Bruce, Mississippi as of and for the year ended September 30, 2012, have issued my report thereon dated February 25, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected unless otherwise noted.

The following matters were noted:

1. *Finding*

During my review of the City's fiscal year 2012 budget, I noted that the City's expenditures exceeded budgeted amounts in several categories. This does not comply with Section 21-35-15, Miss. Code Ann. (1972), which requires the City to limit expenditures to amounts budgeted. This is an uncorrected finding from prior years.

*Recommendation*

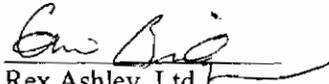
The City should review all expenditures prior to their being authorized to ensure they do not exceed budgeted amounts.

*City's Response*

I will address the Board and all department heads regarding Section 21-35-15, MS Code Ann. and will comply with budgetary laws in the future.

The office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the Office of the State Auditor 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.



Rex Ashley, Ltd.

Pontotoc, MS

February 25, 2013

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