

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF RULEVILLE, MISSISSIPPI  
RULEVILLE, MISSISSIPPI**

**DISCLAIMED FINANCIAL STATEMENT  
SEPTEMBER 30, 2015**



CITY OF RULEVILLE, MISSISSIPPI  
Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Basic Financial Statement:</b>	3
Fund Financial Statement:	
Statement of Cash Receipts and Disbursements	4
Notes to Financial Statement	5
<b>Supplemental Information:</b>	9
Schedule of Investments – All Funds	10
Schedule of Long-Term Debt	11
Schedule of Surety Bonds for Municipal Officials	12
<b>Special Reports:</b>	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance with State Laws and Regulations	16
<b>Schedule of Findings and Responses</b>	17



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Certified Public Accountants

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Edward A. Maxwell, CPA

## **Independent Auditors' Report**

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi

### **Report on the Financial Statements**

We were engaged to audit the accompanying Statement of Cash Receipts and Disbursements of the City of Ruleville, Mississippi as of and for the year ended September 30, 2015, and the related notes to financial statement, as listed in the contents.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1 of the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on this financial statement based on conducting 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

We were initially appointed auditors on March 6, 2021 (the date of the engagement letter) which was subsequent to the City of Ruleville, Mississippi's September 30, 2015 year end. Due to the passage of time between the City of Ruleville, Mississippi's September 30, 2015 year end and the date of our appointment, management was unable to provide us with records and documentation needed to support financial statement items as of and for the year ended September 30, 2015. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the City of Ruleville, Mississippi's financial statement as of and for the year ended September 30, 2015. Accordingly, we do not express an opinion on this financial statement.

## **Basis of Accounting**

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

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements of the City of Ruleville, Mississippi. The schedule of investments, schedule of long-term debt, and schedule of surety bonds for municipal officials are presented for the purposes of additional analysis and are not a required part of the Statement of Cash Receipts and Disbursements.

The schedule of investments, schedule of long-term debt, and schedule of surety bonds for municipal officials are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Statement of Cash Receipts and Disbursements. Management has omitted the schedule of capital assets from the supplementary information section. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2021, on our consideration of the City of Ruleville, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Ruleville, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ruleville, Mississippi's internal control over financial reporting and compliance.

Eupora, Mississippi  
May 3, 2021

*Watkins Ward and Stafford, PLLC*

## BASIC FINANCIAL STATEMENT

CITY OF RULEVILLE, MISSISSIPPI  
Statement of Cash Receipts and Disbursements  
For the Year Ended September 30, 2015

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES
	General Fund	Special Revenue Fund	Total	Water Fund
<b>RECEIPTS</b>				
Property taxes	\$ 693,119	\$ -	\$ 693,119	\$ -
Franchise taxes	93,240	-	93,240	-
Sales taxes	227,060	-	227,060	-
Other taxes	5,303	-	5,303	-
Penalties and interest	36,086	-	36,086	-
Licenses and permits	2,378	-	2,378	-
Intergovernmental revenues	28,034	32,569	60,603	-
Charges for governmental services	-	-	-	458,435
Fines and forfeitures	141,949	-	141,949	-
Interest income	565	627	1,192	1,615
Miscellaneous revenues	168,688	-	168,688	2,398
Total Receipts	<u>1,396,422</u>	<u>33,196</u>	<u>1,429,618</u>	<u>462,448</u>
<b>DISBURSEMENTS</b>				
General government	295,692	-	295,692	-
Public safety	689,553	23,590	713,143	-
Public works	279,466	-	279,466	-
Culture and recreation	136,517	-	136,517	-
Enterprise:				
Water and sewer	-	-	-	362,124
Interest on debt service	11,074	-	11,074	16,346
Total Disbursements	<u>1,412,302</u>	<u>23,590</u>	<u>1,435,892</u>	<u>378,470</u>
Excess of receipts over (under) disbursements	<u>( 15,880)</u>	<u>9,606</u>	<u>( 6,274)</u>	<u>83,978</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt repaid	-	-	-	( 18,907)
Interfund loans and transfers	64,888	-	64,888	( 64,888)
Proceeds - debt	-	-	-	-
Proceeds - sale of assets	-	-	-	-
Total other financing sources (uses)	<u>64,888</u>	<u>-</u>	<u>64,888</u>	<u>( 83,795)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	49,008	9,606	58,614	183
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	<u>330,612</u>	<u>265,497</u>	<u>596,109</u>	<u>608,856</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u>\$ 379,620</u>	<u>\$ 275,103</u>	<u>\$ 654,723</u>	<u>\$ 609,039</u>

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



CITY OF RULEVILLE, MISSISSIPPI  
Notes to Financial Statement

**Note 1: Summary of Significant Accounting Policies**

**a. Reporting Entity**

The City of Ruleville, Mississippi was incorporated under the laws of the State of Mississippi and operates under a Mayor-Board of Aldermen form of government and provides all of the rights and privileges provided by statute for municipalities.

**b. Fund Accounting**

The accounts of the City of Ruleville, Mississippi are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into fund types and categories as follows:

**Governmental Funds**

**General 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.

**Special Revenue Fund** – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. The Special Revenue Fund is the Fire Protection Fund.

**Proprietary Fund**

**Enterprise Funds** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Proprietary Fund is the Water Fund.

**c. Basis of Accounting**

The financial statement is prepared on a cash basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received (cash receipts) rather than when earned, and certain expenses are recognized when paid (cash disbursements) rather than when the obligation is incurred.

CITY OF RULEVILLE, MISSISSIPPI  
Notes to Financial Statement

**Note 1: Summary of Significant Accounting Policies (Continued)**

**d. Estimates**

The preparation of the financial statement in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**e. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

**f. Budgets and Budgetary Accounting**

The City of Ruleville, Mississippi follows these procedures in establishing the budgetary data:

1. Prior to August 1, the Mayor or City Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary Funds.
2. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then the budget is approved prior to September 15.
4. Any revisions that alter the total expenditures of the budget are amended by the Board of Aldermen.

**Note 2: Cash and Other Deposits**

At the end of the year, the City of Ruleville, Mississippi's carrying amount of deposits was \$1,263,762, and the bank balance was undetermined. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City of Ruleville, Mississippi's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

CITY OF RULEVILLE, MISSISSIPPI  
Notes to Financial Statement

**Note 2: Cash and Other Deposits (Continued)**

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the City of Ruleville, Mississippi will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City of Ruleville, Mississippi does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City of Ruleville, Mississippi. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City of Ruleville, Mississippi. As of September 30, 2015, it was undetermined whether any of the City of Ruleville, Mississippi's bank balance was exposed to custodial risk.

**Note 3: Interfund Transfers**

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Water Fund</u>
Transfers In	\$ 75,000	\$ 10,112
Transfers Out	( 10,112)	( 75,000)
	<u>\$ 64,888</u>	<u>\$ ( 64,888)</u>

The above interfund transfers include a transfer from the General Fund to the Water Fund and a transfer from the Water Fund to the General Fund.

**Note 4: Report Classifications**

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

**Note 5: Property Taxes**

The City of Ruleville, Mississippi bills and collects its own property taxes except for the personal auto taxes that are collected and remitted to the City by the Sunflower County Tax Collector. Property is assessed in January of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1.

**Note 6: Risk Management**

The City of Ruleville, Mississippi is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Ruleville, Mississippi purchases coverage of risks of loss related to theft of, damage to, and destruction of assets from commercial insurance carriers.

CITY OF RULEVILLE, MISSISSIPPI  
Notes to Financial Statement

**Note 6: Risk Management (Continued)**

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City of Ruleville, Mississippi pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability.

Under *GASB Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statement and that the amount of the loss can be reasonably estimated. The City of Ruleville, Mississippi has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2015; therefore, no liability has been accrued at this time.

**Note 7: Subsequent Events**

Events that occur after the Statement of Cash Receipts and Disbursements date but before the financial statement is available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Cash Receipts and Disbursements date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the Statement of Cash Receipts and Disbursements date require disclosure in the accompanying notes. Management evaluated the activity of the City through May 3, 2021 (the date the financial statement was available to be issued), and determined that there were no subsequent events requiring disclosure in the notes to the financial statement, except for the event described in the following paragraph.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. Due to the nature of the operations of the City of Ruleville, Mississippi, it is management's opinion that there will be a financial impact related to the COVID-19 crisis; however, a true assessment of the potential impact is premature at this point.

SUPPLEMENTAL INFORMATION

CITY OF RULEVILLE, MISSISSIPPI  
Schedule of Investments – All Funds  
September 30, 2015

	<u>Deposit Amount</u>
Certificate of Deposit with Planters Bank	\$ 127,308
Certificate of Deposit with Planters Bank	18,623
Certificate of Deposit with Southern Bancorp	<u>6,914</u>
 Total	 \$ <u>152,845</u>
 Fund Recap:	
General Fund	\$ 127,308
Fire Protection Fund	<u>25,537</u>
 Total	 \$ <u>152,845</u>

CITY OF RULEVILLE, MISSISSIPPI  
Schedule of Long-Term Debt  
September 30, 2015

	<u>Balance</u> <u>09/30/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>09/30/2015</u>
Notes Payable:				
State of MS Revolving Loan	\$ 61,451	-	( 9,002)	\$ 52,449
Planters Bank Loan	191,986	-	-	191,986
Total Notes Payable	<u>\$ 253,437</u>	<u>-</u>	<u>( 9,002)</u>	<u>\$ 244,435</u>
Bonds Payable:				
USDA Water Revenue Bonds	\$ 60,169	-	( 2,522)	\$ 57,647
USDA Water Revenue Bonds	280,364	-	( 7,383)	272,981
Total Bonds Payable	<u>\$ 340,533</u>	<u>-</u>	<u>( 9,905)</u>	<u>\$ 330,628</u>

CITY OF RULEVILLE, MISSISSIPPI  
Schedule of Surety Bonds for Municipal Officials  
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Shirley Edwards	Mayor	Travelers	\$ 50,000
Marvin Hawkins	Alderman	Travelers	\$ 50,000
Eddie L. Childs, Sr.	Alderman	Travelers	\$ 50,000
Jay Nash	Alderman	Travelers	\$ 50,000
James Jenkins	Alderman	Travelers	\$ 50,000
Billy N. Marlow	Alderman	Travelers	\$ 50,000



## SPECIAL REPORTS



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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statement  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi

We were engaged to audit, in accordance with the 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, the Statement of Cash Receipts and Disbursements of the City of Ruleville, Mississippi as of and for the year ended September 30, 2015, and the related notes to financial statement and have issued our report thereon dated May 3, 2021. Our report disclaims an opinion on the financial statement because of management's inability to provide records and documentation concerning financial statement items as of and for the year ended September 30, 2015.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statement of the City of Ruleville, Mississippi, we considered the City of Ruleville, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Ruleville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ruleville, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify one deficiency in internal control that we consider to be a material weakness. If the scope of our work had been sufficient to enable us to express an opinion on the basic financial statement, other material weaknesses or significant deficiencies in internal control may have been identified and reported herein.

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 statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ruleville, Mississippi's financial statement is free of material misstatement, we were engaged to perform 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 were inconclusive as management was unable to provide us with records and documentation needed to support a conclusion of whether the City of Ruleville, Mississippi was in compliance with certain provisions of laws, regulations, contracts, and grant agreements. If the scope of our work had been sufficient to enable us to express an opinion on the basic financial statement, instances of noncompliance or other matters may have identified and reported herein.

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

Eupora, Mississippi  
May 3, 2021

*Watkins Ward and Stafford, P.C.*



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**Independent Auditors' Report on Compliance  
With State Laws and Regulations**

Honorable Mayor and Board of Aldermen  
City of Ruleville  
Ruleville, Mississippi

We were engaged to audit the basic financial statement of the City of Ruleville, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated May 3, 2021. We have 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*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we were engaged to perform procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures were inconclusive as management was unable to provide us with records and documentation needed to support a conclusion of whether the City of Ruleville, Mississippi was in compliance with state laws and regulations. If the scope of our work had been sufficient to enable us to express an opinion on the basic financial statement, instances of noncompliance or other matters may have been identified and reported herein.

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.

Eupora, Mississippi  
May 3, 2021

*Watkins Ward and Stafford, PLLC*

CITY OF RULEVILLE, MISSISSIPPI  
Schedule of Findings and Responses  
For the Year Ended September 30, 2015

**2015-01**      Material Weakness

*Condition:* The City does not have adequate segregation of duties for internal control purposes.

*Criteria:* Segregation of duties is a key component of any internal control environment, with the primary objective being the prevention of fraud and errors. The objective is achieved through the separation of the functional responsibilities of a financial transaction among different individuals. Ideally, no single individual should be able to initiate, record, authorize, and reconcile one transaction.

*Cause:* The City has not separated the functional responsibilities of financial transactions or adequately applied internal control procedures due, in part, to a limited number of employees.

*Effect:* The lack of segregation of duties could result in misstatements, whether caused by fraud or error, that would not be prevented or detected in a timely manner.

*Recommendation:* The City administration should review the internal control structure of the City and, to the extent feasible, establish procedures that reduce the risk of misstatements that would not be prevented or detected in a timely manner.

*Response:* The City has segregated the duties of the employees and established such internal control procedures as economically feasible considering the number of office employees of the City.