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TOWN OF RICHTON, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2015

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**TOWN OF RICHTON, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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**TOWN OF RICHTON, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, Mississippi

Report on the Financial Statements

We 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 Town of Richton, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Richton, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Richton, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 basis financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The Budgetary Comparison Information on page 36, the Schedule of the Town's Proportionate Share of the Net Pension Liability on page 37, and the Schedule of Town Contributions on page 38 is not a required part of the basis financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Richton, Mississippi's financial statements. The accompanying Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016 on our consideration of the Town of Richton, Mississippi'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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Richton, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

February 9, 2016

TOWN OF RICHTON, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and other deposits	\$ 1,360,421	\$ 437,410	\$ 1,797,831
Investments	506,363	298,069	804,432
Due from Other Governments	60,520	-	60,520
Receivables, accounts	-	40,198	40,198
Receivables, other	32,851	106	32,957
Prepaid expenses	13,394	-	13,394
Capital assets, net	1,150,363	3,033,807	4,184,170
TOTAL ASSETS	\$ 3,123,912	\$ 3,809,590	\$ 6,933,502
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	\$ 92,892	\$ 39,859	\$ 132,751
LIABILITIES:			
Accounts payable and accrued liabilities	51,142	7,139	58,281
Customer deposits	-	33,753	33,753
Estimated state police fees payable	12,704	-	12,704
Long-term liabilities, due within one year			
Capital Related Debt	-	21,485	21,485
Long-term liabilities, due beyond one year			
Capital Related Debt	-	432,244	432,244
Non-capital Related Debt	11,609	6,782	18,391
Net pension liability	525,115	225,148	750,263
TOTAL LIABILITIES	\$ 600,570	\$ 726,551	\$ 1,327,121
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	\$ 11,341	\$ 4,861	\$ 16,202
NET ASSETS:			
Investment in capital assets (net of related debt)	1,150,363	2,580,078	3,730,441
Unrestricted	1,454,530	537,959	1,992,489
TOTAL NET ASSETS	\$ 2,604,893	\$ 3,118,037	\$ 5,722,930

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

TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 249,500	\$ 78,478	\$ -	\$ -	\$ (171,022)	\$ -	\$ (171,022)
Public safety	323,934	34,191	-	-	(289,743)	-	(289,743)
Public works	32,596	-	-	-	(32,596)	-	(32,596)
Culture & recreation	65,474	-	-	-	(65,474)	-	(65,474)
Total governmental activities	671,504	112,669	-	-	(558,835)	-	(558,835)
Business -type activities:							
Water & sewer	388,034	301,982	-	-	-	(86,052)	(86,052)
Interest on long term debt	9,820	-	-	-	-	(9,820)	(9,820)
Total business-type activities	397,854	301,982	-	-	-	(95,872)	(95,872)
Total primary government	\$ 1,069,358	\$ 414,651	\$ -	\$ -	\$ (558,835)	\$ (95,872)	\$ (654,707)
Taxes:							
Sales taxes					340,251	-	340,251
General purpose levies					241,588	-	241,588
Unrestricted grants & contributions:							
Intergovernmental					62,341	-	62,341
Unrestricted investment earnings					2,813	1,204	4,017
Transfer					(34,811)	34,811	-
Other					29,498	5,284	34,782
Total General Revenues and Transfers					641,680	41,299	682,979
Change in Net Position					82,845	(54,573)	28,272
Net Position - Beginning					2,929,864	3,347,388	6,277,252
Prior Period Adjustment					(407,816)	(174,778)	(582,594)
Net Position - Beginning as restated					2,522,048	3,172,610	5,694,658
Net Position - Ending					\$ 2,604,893	\$ 3,118,037	\$ 5,722,930

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

TOWN OF RICHTON, MISSISSIPPI
FUND FINANCIAL STATEMENTS

**TOWN OF RICHTON, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

EXHIBIT C

	MAJOR FUNDS		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS:			
Cash and other deposits	\$ 1,253,818	\$ 106,603	\$ 1,360,421
Investments	506,363	-	506,363
Due from other governments	60,520	-	60,520
Receivables, other	32,851	-	32,851
Prepaid expenses	<u>13,394</u>	<u>-</u>	<u>13,394</u>
TOTAL ASSETS	<u>\$ 1,866,946</u>	<u>\$ 106,603</u>	<u>\$ 1,973,549</u>
LIABILITIES & FUND BALANCES:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 51,142	\$ -	\$ 51,142
Estimated state police fees payable	<u>12,704</u>	<u>-</u>	<u>12,704</u>
Total Liabilities	<u>63,846</u>	<u>-</u>	<u>63,846</u>
Fund Balances:			
Nonspendable:			
Prepaid expenses	13,394	-	13,394
Restricted:			
Capital Projects	-	106,603	106,603
Sunset Cemetery	1,495	-	1,495
State Aid Street	12,316	-	12,316
Special Fire Protection	110,224	-	110,224
Committed:			
Recreation	36,650	-	36,650
Library	64,124	-	64,124
Assigned:			
Fire Protection Capital Improvement	37,068	-	37,068
Unassigned:	<u>1,527,829</u>	<u>-</u>	<u>1,527,829</u>
Total Fund Balance	<u>1,803,100</u>	<u>106,603</u>	<u>1,909,703</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 1,866,946</u>	 <u>\$ 106,603</u>	 <u>\$ 1,973,549</u>

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

**TOWN OF RICHTON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

EXHIBIT C-1

Total Fund Balance - Governmental Funds	\$	1,909,703
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Amounts reported for net assets in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$730,706.		1,150,363
--	--	-----------

2. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(525,115)
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Deferred outflows and inflows related to pensions are applicable to future period and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		92,892
Deferred inflows of resources related to pensions		(11,341)

3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(11,609)</u>
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Total Net Assets - Governmental Activities	\$	<u>2,604,893</u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT D

	<u>MAJOR FUNDS</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
REVENUES			
Property taxes	\$ 241,588	\$ -	\$ 241,588
License and permits	78,478	-	78,478
Intergovernmental revenue	402,592	-	402,592
Fines and forfeitures	34,191	-	34,191
Miscellaneous	32,130	-	32,130
TOTAL REVENUES	<u>788,979</u>	<u>-</u>	<u>788,979</u>
EXPENDITURES			
General government	219,772	-	219,772
Public safety	293,730	-	293,730
Public works	28,180	-	28,180
Culture & recreation	62,504	-	62,504
Capital Outlay	87,320	-	87,320
TOTAL EXPENDITURES	<u>691,506</u>	<u>-</u>	<u>691,506</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>97,473</u>	<u>-</u>	<u>97,473</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	11,921	11,921
Operating Transfers Out	(46,732)	-	(46,732)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(46,732)</u>	<u>11,921</u>	<u>(34,811)</u>
NET CHANGE IN FUND BALANCE	50,741	11,921	62,662
FUND BALANCE, OCTOBER 1, 2014	<u>1,752,359</u>	<u>94,682</u>	<u>1,847,041</u>
FUND BALANCE, SEPTEMBER, 2015	<u>\$ 1,803,100</u>	<u>\$ 106,603</u>	<u>\$ 1,909,703</u>

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

**TOWN OF RICHTON, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT D-1

Net Change in fund balances - governmental funds	\$	62,662
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Amounts reported for governmental activities in the statement of activities are different because:

- | | | |
|---|--|------------|
| 1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$95,079 and the depreciation expense amounted to \$39,499. | | 55,580 |
| 2. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recognized. | | (35,748) |
| 3. Increase in compensated absences not included in governmental funds, but payment is reported as expenditures in statement of activity. | | <u>351</u> |

Change in net assets of governmental activities	\$	<u>82,845</u>
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**TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2015**

EXHIBIT E

ASSETS		
CURRENT ASSETS		
Cash	\$	437,410
Investments		298,069
Accounts receivable (net)		40,198
Due from other funds		-
Receivables, other		<u>106</u>
Total current assets		<u>775,783</u>
 NONCURRENT ASSETS		
Capital assets (net)		<u>3,033,807</u>
 TOTAL ASSETS		
	\$	<u>3,809,590</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	\$	<u>39,859</u>
 LIABILITIES		
CURRENT LIABILITIES		
Long-term liabilities, due within one year	\$	21,485
Accounts payable		7,139
Customer deposits		33,753
Due to other funds		<u>-</u>
Total current liabilities		<u>62,377</u>
 LONG-TERM LIABILITIES		
Accrued compensation		6,782
Long-term liabilities, due beyond one year		432,244
Pension liability		<u>225,148</u>
Total long-term liabilities		<u>664,174</u>
 TOTAL LIABILITIES		
	\$	<u>726,551</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$	<u>4,861</u>
 NET ASSETS		
Invested in capital assets, net of related debt	\$	2,580,078
Retained earnings: Unreserved		<u>537,959</u>
 TOTAL NET ASSETS		
	\$	<u>3,118,037</u>

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

**TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEARS ENDED SEPTEMBER 30, 2015**

EXHIBIT F

OPERATING REVENUES:	
Charges for services	<u>\$ 301,982</u>
OPERATING EXPENSES:	
Personal services	152,346
Supplies	69,331
Contractual services	15,360
Depreciation	<u>150,997</u>
Total operating expenses	<u>388,034</u>
Operating income	<u>(86,052)</u>
NON-OPERATING REVENUES (EXPENSES):	
Other miscellaneous income	5,284
Interest income	1,204
Interest expense	(9,820)
Operating Transfers	<u>34,811</u>
Total non-operating revenues (expenses)	<u>31,479</u>
NET INCOME	(54,573)
Net position, October 1	3,347,388
Prior Period Adjustment	<u>(174,778)</u>
Net position, October 1 as restated	<u>3,172,610</u>
Net position, September 30	<u><u>\$ 3,118,037</u></u>

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

**TOWN OF RICHTON, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT G

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 297,332
Payments to suppliers	(98,905)
Payments to employees	(136,222)
Net cash flows from operating activities	62,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest income	1,204
Miscellaneous income	5,284
Net cash provided by noncapital financing activities	6,488
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(9,009)
Principal paid on capital debt	(20,534)
Interest paid on capital debt	(9,820)
Net cash provided by noncapital financing activities	(39,363)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(556)
Net cash provided by investing activities	(556)
NET INCREASE (DECREASE) IN CASH	28,774
Cash, October 1	408,636
Cash, September 30	\$ 437,410
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	\$ (86,052)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	150,997
Change in assets and liabilities:	
Receivables, net of allowances	(5,869)
Deferred outflows related to pensions	(24,809)
Accounts payable	(14,211)
Customer deposits	1,219
Accrued compensation	749
Deferred inflows related to pensions	4,861
Pension liability	35,320
Net cash flows from operating activities	\$ 62,205

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

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a Mayor, Aldermen form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services.

The accompanying financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the Town's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Town's Board of Aldermen.

As defined by accounting principles generally accepted in the United States of America, the Town is considered a "primary government." The Town is governed by a five member board which each member was elected by the citizens of each defined Town wards. The Town has no component units.

B. Basis of Presentation.

The Town's basic financial statement consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the Town as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Town at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued).

Fund Financial Statements: Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of ad-valorem taxes, state revenues, and fees for services.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes and state appropriations associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The Town reports the following major governmental funds:

General Fund - This is the Town’s primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

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TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, general are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported and *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus and Basis of Accounting (continued).

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Municipalities* issued by the Office of the State Auditor.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The Town deposits excess funds in the financial institutions selected by the Board of Aldermen. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less from the end of the fiscal year. Cash and cash equivalents are valued at cost.

G. Investments.

The town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the state of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

Investments are reported at fair value, which is determined using selected bases. All of the Town's Investments consist of Certificates of Deposits, which mature over three months from the end of the fiscal year and are not considered cash or cash equivalents. These investments are reported at cost, which is the fair value.

H. Receivables.

The allowance method for valuing accounts receivables is used by the Town. At the end of each fiscal year, an amount necessary to bring the balance to the estimated amount of allowance for doubtful accounts is credited to a valuation account. As a specific account is deemed to be uncollectible, the amount of the account is taken from both the receivable and the allowance accounts. At the end of the subsequent fiscal year, bad debt expense is charged with the amount necessary to bring the allowance account to the estimated total. An aging schedule with a variable scale of percentages is used to compute the allowance account for Enterprise Fund receivable valuation. The valuation allowance for the General Fund police fines is based on the Town's estimation of amounts that cannot be collected.

I. Prepaid Expenses.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both governmental and fund financial statements.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Buildings	50,000	40 years
Heavy equipment	5,000	10 years
Mobile equipment	5,000	5 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

All proprietary fund capital assets continued to be carried on the books and depreciated at their actual cost. Depreciation is charged to expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using straight-line method. The estimated useful lives are as follows:

Water & Sewer System	15 – 50 years
Equipment	5 – 10 years

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 6 for details.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Inter-fund Transactions and Balances.

Inter-fund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) inter-fund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 5 for details for inter-fund transactions, including receivables and payables at year-end.

M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

- (1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
- (2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

The Town implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year ending September 30, 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2015, by the Town are nonspendable in form. The Town has not reported any amounts that are legally or contractually required to be maintained intact.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the the Town of Richton’s Council, the Town’s highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the Town of Richton.

Committed for:

	General Fund	Total
Recreation	\$ 36,650	\$ 36,650
Library	<u>64,124</u>	<u>64,124</u>
Committed Fund		
Balance	<u>\$ 100,774</u>	<u>\$ 100,774</u>

- Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The Town of Richton reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town’s Council has provided otherwise in its commitment or assignment actions.

N. Property Taxes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Automobile advalorem taxes are collected by Perry County and remitted to the Town. The County retains a 5% collection fee. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The millage rate for the Town for January through December was 35.50 mills broken down as follows:

General Fund	33.50
Recreation Fund	1.40
Library Fund	<u>0.60</u>
	<u>35.50</u>

Restrictions associated with property tax levies are established by State law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which results from those levies' assessments of the previous year. Uncollected taxes were determined to be properly handled.

O. Budgets and Budgetary Accounting.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Town Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Board of Aldermen may take official action to authorize transfers of budgeted amounts between departments and fund as allowed by law.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund.
6. Mississippi laws require that municipalities budget governmental fund types on a modified – cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal.

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

During the year, amendments were made to the original budget.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Compensated Absences.

Employees of the Town accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by Town policy. Some employees are allowed personal leave and/or vacation leave in accordance with Town policy.

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Q. Use of Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.

The Town follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits: The Town must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972). The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments: Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

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TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents.

The carrying amount of the Town's deposits with financial institutions was \$1,797,831 for 2015 and \$1,636,706 for 2014, and the bank balance was \$1,831,744 and \$1,674,491 for 2015 and 2014, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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 town. As of September 30, 2015, the town's bank balance did not have any exposure to custodial credit risk.

Investments.

Investments made by the town that are included on the balance sheet consist of insured certificates of deposit for which the securities are held by the town or its agent in the town's name. The certificates carrying value and maturity dates are as follows:

Certificate #	Value	Maturity Date
General Fund:		
41194	\$ 66,602	10/22/2015
41224	63,182	2/6/2016
41190	264,232	10/14/2015
41206	75,279	12/2/2015
41205	37,068	12/2/2015
	<u>\$ 506,363</u>	
Enterprise Fund		
41217	1,259	1/18/2016
41215	87,563	1/13/2016
41216	158,598	1/14/2016
41204	50,649	12/2/2015
	<u>\$ 298,069</u>	

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

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk. State law limits investments to those prescribed in Section 21-33-323, Miss. Code Ann. (1972). The town 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 a financial institution, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a formal investment policy for custodial credit risk. As of September 30, 2015, the town did not have any investments to which this would apply.

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. As of September 30, 2015, the district had nine certificates of deposits with Richton Bank and Trust which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

The balance in the accounts receivable are composed of the following items:

GENERAL FUND:

OTHER

Police fines – installment agreements	214,575
Less: Estimated amount uncollectible	<u>(181,724)</u>
	<u>\$ 32,851</u>

ENTERPRISE FUND

ACCOUNTS

Current	\$30,350
30-59 days	2,592
60-89 days	164
90 days & over	<u>7,092</u>
	<u>\$40,198</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Receivables from other governments are as follows:

GENERAL FUND:

Sales tax	\$56,683
Utility tax	213
Auto Ad valorem and Property Taxes	<u>3,624</u>
Total General Fund	<u>\$60,520</u>

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities:

	<u>Begin Balance 10/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Contributed Capital</u>	<u>End Balance 9/30/2015</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 264,154	17,719	\$ -	\$ -	\$ 281,873
Construction in Progress	19,370	69,601	-	-	88,971
Total non-depreciable capital assets	<u>283,524</u>	<u>87,320</u>	<u>-</u>	<u>-</u>	<u>370,844</u>
<u>Depreciable capital assets:</u>					
Building	778,242	-	-	-	778,242
Machinery & Equipment	497,450	7,759	-	-	505,209
Improvements other than Buildings	226,594	-	-	-	226,594
Total depreciable capital assets	<u>1,502,286</u>	<u>7,759</u>	<u>-</u>	<u>-</u>	<u>1,510,045</u>
<u>Less accumulated depreciation for:</u>					
Building	233,424	15,565	-	-	248,989
Machinery & Equipment	391,456	15,404	-	-	406,860
Improvements other than Buildings	66,147	8,530	-	-	74,677
Total accumulated depreciation	<u>691,027</u>	<u>39,499</u>	<u>-</u>	<u>-</u>	<u>730,526</u>
Governmental Activities, capital assets, net	<u>\$ 1,094,783</u>	<u>\$ 55,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,363</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
General Government	\$ 13,599
Public Safety	10,729
Public Works	4,416
Culture & Recreation	<u>10,755</u>
Total depreciation expense	<u>\$ 39,499</u>

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for proprietary activities:

	<u>Begin</u> <u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Contributed</u> <u>Capital</u>	<u>End</u> <u>Balance</u> <u>9/30/2015</u>
<u>Depreciable capital assets:</u>					
Plant & Buildings	\$ 5,100,050	\$ -			\$ 5,100,050
Machinery & Equipment	199,896	-	-	-	199,896
Vehicles	63,783	-	-	-	63,783
Sewer Line Improvements	<u>1,745,637</u>	<u>9,009</u>	<u>-</u>	<u>-</u>	<u>1,754,646</u>
Total	<u>5,443,437</u>	<u>9,009</u>	<u>-</u>	<u>-</u>	<u>7,118,375</u>
<u>Less accumulated depreciation for:</u>					
Plant & Buildings	3,619,398	107,684	-	-	3,727,082
Machinery & Equipment	167,046	4,837	-	-	171,883
Vehicles	63,782	-	-	-	63,782
Sewer Line Improvements	<u>83,345</u>	<u>38,476</u>	<u>-</u>	<u>-</u>	<u>121,821</u>
Total accumulated depreciation	<u>3,933,571</u>	<u>150,997</u>	<u>-</u>	<u>-</u>	<u>4,084,568</u>
Proprietary Activities, capital assets, net	<u>\$ 1,509,866</u>	<u>\$ 150,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,033,807</u>

Depreciation expense charged to the enterprise fund totaled \$150,997.

NOTE 6 - LONG - TERM LIABILITIES

The following are the changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2015</u>
Compensated Absences Payable	<u>11,959</u>	<u>-</u>	<u>350</u>	<u>11,609</u>
Total	<u>\$ 11,959</u>	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 11,609</u>

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - LONG - TERM LIABILITIES (CONTINUED)

The following are the changes in long-term liabilities and other obligations for proprietary activities:

	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2015</u>
Capital Improvement Loan	474,262	-	20,533	453,729
Compensated Absences Payable	<u>6,033</u>	<u>749</u>	<u>-</u>	<u>6,782</u>
Total	<u>\$ 480,295</u>	<u>\$ 749</u>	<u>\$ 20,533</u>	<u>\$ 460,511</u>

The Town received a Capital Improvement Loan from the State of Mississippi through the Mississippi Development Authority on January 25, 2011. The purpose of the loan is to provide funding for water and sewer improvements. The promissory note is not to exceed \$500,000. As of September 30, 2014, the entire \$500,000 had been drawn on the note. Payments are made at a monthly amount of \$2,529.42 including interest at 2% and began July 1, 2013, and will mature June, 2033. The following is a schedule by years of the total payments due on this debt:

<u>Year Ending</u> <u>Sept 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	21,485	8,868	30,353
2017	21,919	8,434	30,353
2018	22,361	7,992	30,353
2019	22,813	7,540	30,353
2020	23,273	7,080	30,353
2021-2025	123,605	28,160	151,765
2026-2030	136,593	15,172	151,765
2031-2033	<u>81,680</u>	<u>9,906</u>	<u>91,586</u>
Total	<u>\$ 453,729</u>	<u>\$ 93,152</u>	<u>\$ 546,881</u>

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Town 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.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The town's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$47,302, \$50,199, and \$45,978 respectively, which equaled the required contributions for each year.

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the Town reported a liability of \$750,263 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the town's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, The town's proportion was .004878 percent.

For the year ended September 30, 2015, the District recognized pension expense of \$98,421. At September 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Governmental-type Activities</u>		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	59,814	\$	
Net difference between projected and actual earnings on pension plan investments				11,341
District contributions subsequent to the measurement date		33,078		
Total	\$	<u>92,892</u>	\$	<u>11,341</u>

<u>Business-type Activities</u>		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	25,635	\$	
Net difference between projected and actual earnings on pension plan investments				4,861
District contributions subsequent to the measurement date		14,224		
Total	\$	<u>39,859</u>	\$	<u>4,861</u>

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$47,302 reported as deferred outflows of resources related to pensions resulting from town contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept 30:		
2016	\$	26,686
2017		26,686
2018		19,924
2019		<u>(4,050)</u>
Total	\$	<u>69,246</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
U.S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 807,209	\$ 592,100	\$ 412,667

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - RISK MANAGEMENT

The Town 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. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool:

The Town participates in the Mississippi Municipal Liability Plan (MMLD), an insurance-purchasing pool. The Town, along with other municipalities as a group, purchased insurance to insure against losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Settled claims resulting from these insured risks have not exceeded the Town's insurance coverage since it joined the pool.

The Town is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees.

The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust.

The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance, which will pay the excess up to the statutory limit. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

NOTE 9 - MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE

The Mississippi Compliance Questionnaire was completed and entered into the minutes as prescribed by law. A review of the questionnaire revealed that all items were answered yes or not applicable.

NOTE 10 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL

Mississippi law requires that municipalities' budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL (CONTINUED)

The required budgetary basis is therefore not considered a generally accepted accounting principle.

The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis for the general fund:

<u>General Fund:</u>	
Fund balance (budgetary basis)	\$ 1,849,832
Adjustment to GAAP basis:	
Accrued revenues	<u>(46,732)</u>
Fund balance (GAAP basis), Sept. 30	<u>\$ 1,803,100</u>

NOTE 11 - JOINT VENTURES

The Town of Richton is a participant with the Perry County Board of Supervisors in a joint venture to operate the Richton-Perry County Airport. The joint venture was created to operate the airport and is governed by a five-member board, two appointed by the Town of Richton Council, two appointed by the Perry County Board of Supervisors, and one appointed by the mayor of the Town of Richton and the president of the Perry County Board of Supervisors. Financial statements can be obtained from the Chairman of the Airport Board, P.O. Box 1500, Richton, MS 39476.

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TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

	Governmental- type	Business-type
	<u>Activities</u>	<u>Activities</u>
Implementation of GASB 68 and 71:	\$ 442,934	\$ 189,828
Net pension liability (measurement date)		
Deferred outflows-contributions made during fiscal year 2014	(35,118)	(15,050)
Total prior period adjustment related to GASB 68 and 71	\$ 407,816	\$ 174,778

NOTE 13 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are 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 Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes.

Management of the Town of Richton, Mississippi evaluated the activity of the district through February 9, 2016, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

TOWN OF RICHTON, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RICHTON, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 228,004	\$ 230,211	\$ 241,588	\$ 2,207	\$ 11,377
License and permits	67,250	77,584	78,478	10,334	894
Intergovernmental revenues	836,935	386,856	402,592	(450,079)	15,736
Fines and forfeitures	32,000	32,000	34,191	-	2,191
Miscellaneous	23,750	30,050	32,130	6,300	2,080
TOTAL REVENUES	<u>1,187,939</u>	<u>756,701</u>	<u>788,979</u>	<u>(431,238)</u>	<u>32,278</u>
EXPENDITURES					
General government	245,766	243,484	219,772	2,282	23,712
Public safety	299,442	303,542	293,730	(4,100)	9,812
Public works	49,677	50,784	28,180	(1,107)	22,604
Culture & recreation	737,598	149,598	62,504	588,000	87,094
Capital outlay	-	-	87,320	-	(87,320)
TOTAL EXPENDITURES	<u>1,332,483</u>	<u>747,408</u>	<u>691,506</u>	<u>585,075</u>	<u>55,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(144,544)</u>	<u>9,293</u>	<u>97,473</u>	<u>153,837</u>	<u>88,180</u>
NET CHANGE IN FUND BALANCES	<u>(144,544)</u>	<u>9,293</u>	<u>97,473</u>	<u>153,837</u>	<u>88,180</u>
FUND BALANCE -BEGINNING	<u>1,752,359</u>	<u>1,752,359</u>	<u>1,752,359</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,607,815</u>	<u>\$ 1,761,652</u>	<u>\$ 1,849,832</u>	<u>\$ 153,837</u>	<u>\$ 88,180</u>

TOWN OF RICHTON, MISSISSIPPI

Schedule of the Town's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.004878%
District's proportionate share of the net pension liability (asset)	\$ 750,263
District's covered-employee payroll	\$ 304,743
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	246.20%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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TOWN OF RICHTON, MISSISSIPPI

Schedule of Town Contributions

PERS

Last 10 Fiscal Years

Contractually required contribution	<u>2015</u> \$ 47,302
Contributions in relation to the contractually required contribution	<u>\$ 47,302</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	300,330
Contributions as a percentage of covered-employee payroll	15.75%

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

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budgetary basis, variances between the original budget and the final budget, and variances between the final budget and the actual data on the budgetary basis.

(2) Budget amendments and revisions.

The budget is adopted by the Board of Aldermen. Amendments can be made of the approval of the Board. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) There were no changes in benefit terms.

(2) Change in assumptions are as follows:

- a. Inflation from 3.5% to 3.0%
- b. Salary increases from 4.25 – 19.50 percent, including inflation to 3.75-19.00%, average, including inflation
- c. Investment rate of return from 8.00 percent, net of pension plan investment expense, including inflation to 7.75%

TOWN OF RICHTON, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION

**TOWN OF RICHTON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015**

Coverage with Scott Municipal Insurance:

Mayor	\$25,000
Aldermen	\$25,000

Coverage with USF&G:

Town Clerk	50,000
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Coverage with St. Paul Travelers:

Deputy Clerk	50,000
Police Chief	50,000
Court Clerk	50,000
Deputy Court Clerk	50,000

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TOWN OF RICHTON, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, Mississippi

We have audited, 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 financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Richton, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Richton, Mississippi's basic financial statements, and have issued our report thereon dated February 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Richton, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Richton, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Richton, Mississippi's internal control.

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. 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Richton, Mississippi's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item Finding 2015-1.

Town of Richton, Mississippi's Response to Findings

Town of Richton, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Richton, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holt & Associates, PLLC

February 9, 2016

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

February 9, 2016

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, Mississippi

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the Town of Richton as of and for the year ended September 30, 2015, and have issued our report thereon dated February 9, 2016. We conducted our audit in accordance with generally accepted auditing standards 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 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 our audit and, accordingly, we do not express such an opinion.

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no immaterial instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the management, town officials and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holt & Associates, PLLC

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**TOWN OF RICHTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED SEPTEMBER 30, 2015**

FINDING 2015-1

Finding:

There is a limited accounting staff to properly segregate the duties normally required for an efficient internal control structure. However, due to the limited number of personnel, an adequate segregation of duties is not possible without additional costs.

Recommendation:

The cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

Response:

Lack of segregation of duties has been a recurring deficiency. Since the cost to hire additional personnel is cost prohibited, this will continue to be a deficiency in future audits. Sufficient internal controls are present.