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CITY OF RIPLEY, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018



CITY OF RIPLEY, MISSISSIPPI

**Comprehensive Annual Financial Report
For the Year Ended September 30, 2018**

Elected Officials

Chris Marsalis
Joey Bryant
Homer Richardson
Jackie McKenzie
Stephen Freeman
Jon Grisham

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

CITY OF RIPLEY, MISSISSIPPI

Comprehensive Annual Financial Report For the Year Ended September 30, 2018

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LINDSEY, DAVIS AND ASSOCIATES

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STOCKHOLDERS

CHARLES L. DAVIS, JR., CPA

DEAN CAVINESS, CPA

STEPHANIE CLIFTON, CPA

B.J. HORTON, CPA

SHONDA DAVIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and business-type activities of the City of Ripley, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Ripley, 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 from 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. 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 and the business-type activities of the City of Ripley, Mississippi as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

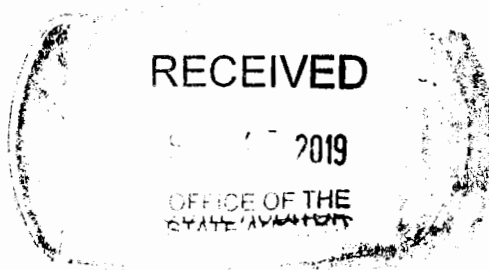
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

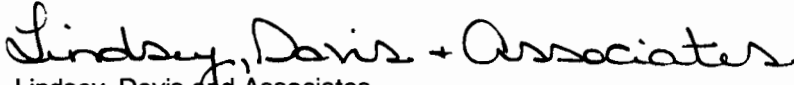
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ripley, Mississippi's basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City of Ripley, 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 and compliance and the results of that testing, and not to provide an opinion on 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 Ripley, Mississippi's internal control over financial reporting and compliance.


Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
June 20, 2019

CITY OF RIPLEY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

As management of the City of Ripley, Mississippi, we offer readers of the City's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2018 fiscal year by \$19,733,000. Of this amount, \$1,041,249 may be used to meet the City of Ripley's ongoing obligations to citizens and creditors.
- The City's total debt is \$11,919,784.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Condensed Data - Governmental and Business-type Activities

City of Ripley, Mississippi
Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	2018 Total	2017 Total
Current and Other Assets	\$ 985,006	\$ 5,385,305	\$ 6,370,311	\$ 6,367,618
Capital Assets, Net	8,837,343	21,774,192	30,611,535	23,291,538
Deferred Outflows of Resources	220,384	99,013	319,397	567,606
Total Assets	10,042,733	27,258,510	37,301,243	30,226,762
Current and Other Liabilities	371,070	1,074,947	1,446,017	1,416,508
Long-term Liabilities	4,565,651	11,556,574	16,122,225	8,827,868
Total Liabilities	4,936,721	12,631,521	17,568,242	10,244,376
Invested in Capital Assets	7,192,343	11,499,408	18,691,751	18,611,113
Unrestricted	(2,086,331)	3,127,581	1,041,250	1,371,273
Total Net Position	\$ 5,106,012	\$ 14,626,989	\$ 19,733,001	\$ 19,982,386

Capital assets include the depreciated cost of the City's buildings, land, infrastructure (streets, drainage, lighting and signals), vehicles, equipment and furnishings. Capital assets, net of the outstanding debt incurred to acquire them, comprises 95% of the City's total net position. The remaining, unrestricted net assets may be used by the governing authority to provide future services.

City of Ripley, Mississippi
Changes in Net Position
For the Year Ended September 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 559,065	\$ 7,586,197	\$ 8,145,262	\$ 7,681,389
Operating Grants and Contr.	57,086		57,086	52,897
Capital Grants and Contr.	36,923		36,923	1,392,563
General Revenues:				
Property Taxes	336,303		336,303	330,321
Sales Tax	1,433,798		1,433,798	1,381,591
Tourism Tax	317,389		317,389	305,150
Franchise Taxes	206,521		206,521	273,244
Road Tax	74,866		74,866	69,309
Other Taxes	5,359		5,359	6,375
Interest	2,407	14,756	17,163	20,206
Transfer	151,701	(151,701)		
Other	85,196		85,196	109,124
Total Revenues	<u>3,266,614</u>	<u>7,449,252</u>	<u>10,715,866</u>	<u>11,622,169</u>
Expenses:				
General Government	553,802		553,802	1,256,017
Public Safety	1,176,229		1,176,229	1,032,995
Public Works	1,317,093		1,317,093	1,126,067
Parks and Recreation	550,691		550,691	539,972
Water Service		1,274,565	1,274,565	1,244,316
Sewer Service		739,644	739,644	691,287
Gas Service		5,353,227	5,353,227	5,088,875
Total Expenses	<u>3,597,815</u>	<u>7,367,436</u>	<u>10,965,251</u>	<u>10,979,529</u>
Increase (Decrease) in Net Position	(331,201)	81,816	(249,385)	642,640
Net Position - Beginning of Year	<u>5,437,213</u>	<u>14,545,172</u>	<u>19,982,385</u>	<u>19,339,746</u>
Net Position - End of Year	<u>\$ 5,106,012</u>	<u>\$ 14,626,988</u>	<u>\$ 19,733,000</u>	<u>\$ 19,982,386</u>

Governmental Activities

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (44%) and charges for services (18%).

The largest expense categories for the City's governmental activities are public safety (33%) and public works (37%).

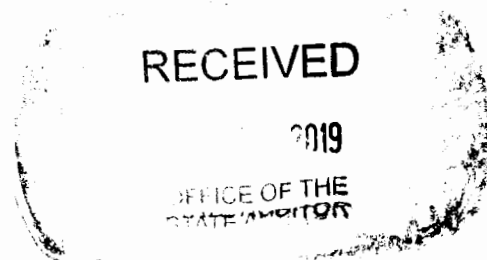


Table 1 presents the revenues of the City's governmental activities, and Table 2 presents the cost of each of the functions of the City's governmental activities. Table 3 presents the revenues of the City's business-type activities.

Table 1
Revenues by Source - Governmental Activities

	2018	%	2017	%
Charges for Services	\$ 559,065	18.0%	\$ 566,533	14.7%
Grants and Contributions	94,009	3.0%	796,577	20.7%
Property Taxes	336,303	10.8%	330,321	8.6%
Road Tax	74,866	2.4%	69,309	1.8%
Sales Tax	1,433,798	46.0%	1,381,591	36.0%
Tourism Tax	317,389	10.2%	305,150	7.9%
Franchise Taxes	206,521	6.6%	273,244	7.1%
Other Taxes	5,359	0.2%	6,375	0.2%
Interest	2,407	0.1%	7,266	0.2%
Other	85,196	2.7%	109,124	2.8%
	<u>\$ 3,114,913</u>	<u>100.0%</u>	<u>\$ 3,845,490</u>	<u>100.0%</u>

Table 2
Expenses by Function - Governmental Activities

	2018	%	2017	%
General Government	\$ 553,802	15.4%	\$ 1,256,017	31.7%
Public Safety	1,176,229	32.7%	1,032,995	26.1%
Public Works	1,317,093	36.6%	1,126,067	28.5%
Parks and Recreation	550,691	15.3%	539,972	13.7%
	<u>\$ 3,597,815</u>	<u>100.0%</u>	<u>\$ 3,955,051</u>	<u>100.0%</u>

Table 3
Revenues by Source - Business-type Activities

	2018	%	2017	%
Gas Charges for Services	\$ 5,742,420	75.5%	\$ 5,210,454	67.0%
Water Charges for Services	1,191,250	15.7%	1,281,392	16.5%
Sewer Charges for Services	652,527	8.6%	623,010	8.0%
Grants and Contributions			648,883	8.3%
Interest	14,756	0.2%	12,940	0.2%
	<u>\$ 7,600,953</u>	<u>100.0%</u>	<u>\$ 7,776,679</u>	<u>100.0%</u>

Business-type Activities

Business-type activities increased the City's net position by \$81,816. Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues, as a percentage of total revenue, are comprised of \$5,742,420 (76%) for gas, \$1,191,250 (16%) for water and \$652,527 (8%) for sewer.

Capital Asset and Debt Administration

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

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amount to \$30,611,535, net of accumulated depreciation of \$15,769,817. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. For additional information concerning capital asset activity, see Detail Note IV - E.

Long-term debt. At year-end, the City had \$11,919,784 in bonds and notes outstanding. For additional information concerning long-term debt, see Detail Note IV - F.

Economic Factors and Next Year's Budgets

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2019 budget. The total budgeted appropriations for the City operations in the governmental activities is \$3,552,344.

Contact Information

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

CITY OF RIPLEY, MISSISSIPPI

Statement of Net Position

September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 169,007	\$ 2,740,109	\$ 2,909,116
Investments		372,440	372,440
Receivables:			
Accounts (Net)	72,829	550,223	623,052
Franchise Fees	37,557		37,557
Sales Tax	297,301		297,301
Taxes	68,161		68,161
Interest Receivable		1,095	1,095
Internal Balances		595,801	595,801
Inventory of Supplies, at Cost		125,301	125,301
Inventory of Natural Gas, at Cost		522,503	522,503
Prepaid Expenses		23,717	23,717
Total Current Assets	644,855	4,931,189	5,576,044
<u>Restricted Assets</u>			
Cash and Cash Equivalents	340,151	454,116	794,267
Total Restricted Assets	340,151	454,116	794,267
<u>Capital Assets</u>			
Land	546,060	145,065	691,125
Buildings	1,237,901	42,238	1,280,139
Improvements other than Buildings	1,513,605		1,513,605
Utility Systems		21,079,907	21,079,907
Furniture, Vehicles and Equipment	3,057,196	1,963,799	5,020,995
Infrastructure	3,167,285		3,167,285
City Park	4,804,644		4,804,644
Construction in Progress		8,823,652	8,823,652
Accumulated Depreciation	(5,489,348)	(10,280,469)	(15,769,817)
Total Capital Assets	8,837,343	21,774,192	30,611,535
<u>Deferred Outflows of Resources</u>			
Pension Plan	220,384	99,013	319,397
Total Deferred Outflows of Resources	220,384	99,013	319,397
Total Assets	10,042,733	27,258,510	37,301,243
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	169,798	166,698	336,496
Internal Balances	21,272	574,529	595,801
Current Portion of Long-term Debt	180,000	111,256	291,256
<u>Current Liabilities Payable from Restricted Assets</u>			
Customer Meter Deposits		222,464	222,464
Total Current Liabilities	371,070	1,074,947	1,446,017
<u>Long-term Liabilities, Net of Current Portion</u>			
Long-term Debt	1,465,000	10,163,528	11,628,528
Pension Liability	2,869,188	1,289,055	4,158,243
Deferred Inflows - Pension Plan	231,463	103,991	335,454
Total Long-term Liabilities	4,565,651	11,556,574	16,122,225
Total Liabilities	4,936,721	12,631,521	17,568,242
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	7,192,343	11,499,408	18,691,751
Unrestricted	(2,086,331)	3,127,581	1,041,250
Total Net Position	\$ 5,106,012	\$ 14,626,989	\$ 19,733,001

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 553,802	\$ 41,150	\$ 2,690	\$ 36,923
Public Safety	1,176,229	59,355	54,396	
Public Works	1,317,093	338,977		
Parks and Recreation	550,691	119,583		
Total Governmental Activities	3,597,815	559,065	57,086	36,923
Business-type Activities:				
Water	1,274,565	1,191,250		
Sewer	739,644	652,527		
Gas	5,353,227	5,742,420		
Total Business-type Activities	7,367,436	7,586,197		
Total Primary Government	\$ 10,965,251	\$ 8,145,262	\$ 57,086	\$ 36,923

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

Change in Net Position

Net Position - Beginning of Year

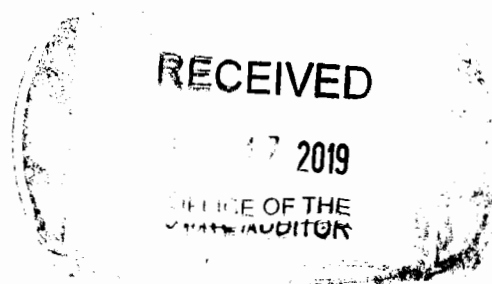
Net Position - End of Year

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

Net (Revenue) Expenses and Changes in
Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (473,039)	\$	\$ (473,039)
(1,062,478)		(1,062,478)
(978,116)		(978,116)
(431,108)		(431,108)
<u>(2,944,741)</u>		<u>(2,944,741)</u>
	(83,315)	(83,315)
	(87,117)	(87,117)
	<u>389,193</u>	<u>389,193</u>
	<u>218,761</u>	<u>218,761</u>
<u>(2,944,741)</u>	<u>218,761</u>	<u>(2,725,980)</u>
336,303		336,303
1,433,798		1,433,798
317,389		317,389
206,521		206,521
74,866		74,866
5,359		5,359
2,407	14,756	17,163
151,701	(151,701)	
85,196		85,196
<u>2,613,540</u>	<u>(136,945)</u>	<u>2,476,595</u>
(331,201)	81,816	(249,385)
<u>5,437,213</u>	<u>14,545,173</u>	<u>19,982,386</u>
<u>\$ 5,106,012</u>	<u>\$ 14,626,989</u>	<u>\$ 19,733,001</u>



CITY OF RIPLEY, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2018

	General	Total Governmental Funds
<u>Assets</u>		
Cash and Cash Equivalents - Unrestricted	\$ 169,007	\$ 169,007
Cash and Cash Equivalents - Restricted	340,151	340,151
Receivables (Net):		
Accounts	72,829	72,829
Franchise Fees	37,557	37,557
Sales Tax	297,301	297,301
Taxes	68,161	68,161
Total Assets	\$ 985,006	\$ 985,006
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable & Accrued Liabilities	\$ 169,798	\$ 169,798
Due to Other Funds	21,272	21,272
Total Liabilities	191,070	191,070
Fund Balances:		
Unassigned	793,936	793,936
Total Fund Balances	793,936	793,936
Total Liabilities and Fund Balances	\$ 985,006	

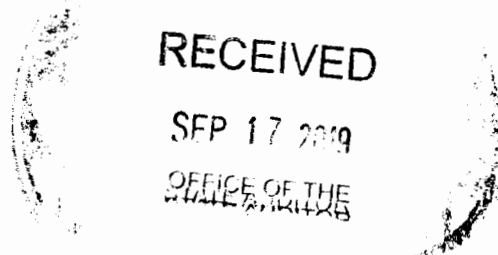
Amounts reported for governmental activities in the statement of net position are different due to:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	8,837,343
Pension liabilities, including related deferred outflows and inflows are not payable in the current year and are, therefore, not reported in governmental funds.	(2,880,267)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(1,645,000)
Net position of governmental activities	\$ 5,106,012

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
General Property Taxes		
Current Ad Valorem	\$ 302,637	\$ 302,637
Prior Year Ad Valorem	1,630	1,630
Penalties and Interest on		
Delinquent Taxes	1,899	1,899
In Lieu of Taxes/Franchise Tax	206,521	206,521
Intergovernmental Revenues		
State Shared Revenues:		
Homestead Exemption	30,137	30,137
Sales Tax	1,433,798	1,433,798
Tourism Tax	317,389	317,389
Fire Protection Refund	30,796	30,796
State Gasoline Tax	5,359	5,359
General Municipal Aid	2,690	2,690
Collection from County:		
Road Tax	74,866	74,866
Fire Protection Refund	20,000	20,000
Fines and Forfeitures	30,807	30,807
Privilege Tax	33,532	33,532
Building Fees, Permits and Inspections	7,618	7,618
Park Revenue	119,583	119,583
Charges for Services:		
Sanitation	338,977	338,977
Grant Revenue	40,523	40,523
Transfer In	151,701	151,701
Miscellaneous	113,744	113,744
Interest	2,407	2,407
Total Revenues	<u>3,266,614</u>	<u>3,266,614</u>



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

CITY OF RIPLEY, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Governmental Funds
For the Year Ended September 30, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
Expenditures:		
Current:		
General Government	327,426	327,426
Public Safety	1,011,743	1,011,743
Public Works	1,090,978	1,090,978
Parks and Recreation	387,305	387,305
Capital Outlay	291,150	291,150
Grant Expense	36,923	36,923
Principal Payments	175,000	175,000
Interest Expense	48,694	48,694
Total Expenditures	<u>3,369,219</u>	<u>3,369,219</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(102,605)</u>	<u>(102,605)</u>
Net Change in Fund Balances	(102,605)	(102,605)
Fund Balances, October 1	<u>896,541</u>	
Fund Balances, September 30	<u><u>\$ 793,936</u></u>	

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

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.	(194,835)
The excess of pension expense recognized in accordance with GASB 68 in excess of amounts requiring the use of current financial resources are not reported as expenditures in the governmental funds.	(208,761)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>175,000</u>
Change in net position of governmental activities	<u><u>\$ (331,201)</u></u>

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

CITY OF RIPLEY, MISSISSIPPI

Statement of Net Position

Proprietary Funds

September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 698,979	\$ 132,834	\$ 1,908,296	\$ 2,740,109
Investments	11,817		360,623	372,440
Receivables:				
Accounts (Net)	231,599	112,912	205,712	550,223
Interest Receivable	258		837	1,095
Due from Other Funds	518,630		77,171	595,801
Prepaid Expense	14,741	3,476	5,500	23,717
Inventory of Supplies, at Cost	39,662	16,998	68,641	125,301
Inventory of Natural Gas, at Cost			522,503	522,503
Total Current Assets	1,515,686	266,220	3,149,283	4,931,189
Non-current Assets:				
Restricted Assets:				
Cash	38,250	69,516	35,315	143,081
Investments	101,885	13,000	196,150	311,035
Total Restricted Assets	140,135	82,516	231,465	454,116
Capital Assets:				
Land	95,896	39,169	10,000	145,065
Buildings and Improvements	14,783	6,336	21,119	42,238
Physical System	10,624,316	5,758,572	4,697,019	21,079,907
Furniture, Vehicles & Equipment	818,949	359,575	785,275	1,963,799
Construction in Progress		8,326,897	496,755	8,823,652
Accumulated Depreciation	(5,419,248)	(2,351,997)	(2,509,224)	(10,280,469)
Total Capital Assets Net of Accumulated Depreciation	6,134,696	12,138,552	3,500,944	21,774,192
Total Non-current Assets	6,274,831	12,221,068	3,732,409	22,228,308
<u>Deferred Outflows of Resources</u>				
Pension Plan	25,552	15,970	57,491	99,013
Total Assets	\$ 7,816,069	\$ 12,503,258	\$ 6,939,183	\$ 27,258,510

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Net Position - Continued
Proprietary Funds
September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	\$ 44,397	\$ 27,977	\$ 94,324	\$ 166,698
Due to Other Funds		574,529		574,529
Current Portion of Revenue Bond	60,300	21,256	29,700	111,256
Total Current Liabilities	<u>104,697</u>	<u>623,762</u>	<u>124,024</u>	<u>852,483</u>
Current Liabilities Payable from Restricted Assets:				
Meter Deposits	67,339		155,125	222,464
Total Current Liabilities Payable from Restricted Assets	<u>67,339</u>		<u>155,125</u>	<u>222,464</u>
Non-current Liabilities:				
Revenue Bonds (Net Current Portion)	730,300	9,073,528	359,700	10,163,528
Pension Liability	332,659	207,912	748,484	1,289,055
Deferred Inflow - Pension Plan	26,836	16,773	60,382	103,991
Total Non-current Liabilities	<u>1,089,795</u>	<u>9,298,213</u>	<u>1,168,566</u>	<u>11,556,574</u>
Total Liabilities	<u>1,261,831</u>	<u>9,921,975</u>	<u>1,447,715</u>	<u>12,631,521</u>
<u>Net Position</u>				
Invested in Capital Assets, Net of Related Debt	5,344,096	3,043,768	3,111,544	11,499,408
Unrestricted	1,210,142	(462,485)	2,379,924	3,127,581
Total Net Position	<u>\$ 6,554,238</u>	<u>\$ 2,581,283</u>	<u>\$ 5,491,468</u>	<u>\$ 14,626,989</u>

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CITY OF RIPLEY, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Operating Revenues:				
Water Sales	\$ 1,161,896	\$	\$	\$ 1,161,896
Sewer Services		651,026		651,026
Gas Sales			5,689,070	5,689,070
Cut-On/Cut-Off Charges	5,025		5,479	10,504
Connection Fees	3,850	750	20,890	25,490
Meter Fees	20,220		23,165	43,385
Refunds and Miscellaneous	259	751	3,816	4,826
Total Operating Revenues	1,191,250	652,527	5,742,420	7,586,197
Operating Expenses:				
Operating Salaries	250,552	179,606	477,465	907,623
Social Security and Retirement Benefits	68,944	16,441	125,831	211,216
Gas Purchases			3,446,222	3,446,222
Gas Transportation Fees			444,560	444,560
Depreciation Expense	317,934	170,999	175,739	664,672
Materials and Supplies	143,008	63,443	207,487	413,938
Utilities Purchased	160,778	91,621	12,174	264,573
Repairs and Maintenance	80,111	44,864	33,807	158,782
Travel and Miscellaneous	59,369	49,501	109,680	218,550
Dues and Publications	12,924	313	6,868	20,105
Gas and Oil	15,224	11,080	32,966	59,270
Telephone and Postage	12,970	9,154	52,158	74,282
Computer Programming	5,171	5,171	10,343	20,685
Insurance	61,298	44,368	86,921	192,587
Professional Services	35,915	17,827	47,915	101,657
Bad Debt	10,258	10,000	25,037	45,295
Sales Tax	15,963		46,745	62,708
Total Operating Expenses	1,250,419	714,388	5,341,918	7,306,725
Operating Income	(59,169)	(61,861)	400,502	279,472

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position - Continued
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Nonoperating Revenues (Expenses):				
Interest Revenue	3,455	388	10,913	14,756
Interest Expense and Fiscal Charges	(24,146)	(25,256)	(11,309)	(60,711)
Total Nonoperating Revenues (Expenses)	<u>(20,691)</u>	<u>(24,868)</u>	<u>(396)</u>	<u>(45,955)</u>
Income Before Operating Transfers and Contributions	(79,860)	(86,729)	400,106	233,517
Transfers In (Out)	<u>34,726</u>		<u>(186,427)</u>	<u>(151,701)</u>
Change in Net Position	(45,134)	(86,729)	213,679	81,816
Total Net Position, October 1	<u>6,599,372</u>	<u>2,668,012</u>	<u>5,277,789</u>	<u>14,545,173</u>
Total Net Position, September 30	<u>\$ 6,554,238</u>	<u>\$ 2,581,283</u>	<u>\$ 5,491,468</u>	<u>\$ 14,626,989</u>

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,168,064	\$ 645,821	\$ 5,752,111	\$ 7,565,996
Cash Payments to Suppliers	(602,495)	(347,478)	(4,471,196)	(5,421,169)
Cash Payments to Employees	(281,236)	(201,726)	(542,085)	(1,025,047)
Net Cash Provided by (Used for) Operating Activities	<u>284,333</u>	<u>96,617</u>	<u>738,830</u>	<u>1,119,780</u>
Cash Flows from Noncapital Financing Activities:				
Operating Net Transfers In (Out)	<u>34,726</u>		<u>(131,428)</u>	<u>(96,702)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>34,726</u>		<u>(131,428)</u>	<u>(96,702)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(55,491)	(7,540,279)	(583,731)	(8,179,501)
Contributions in Aid of Construction - Loan Proceeds		7,536,880		7,536,880
Repayment of Long-term Debt	(73,746)	(20,725)	(28,050)	(122,521)
Interest Payment of Long-term Debt	(24,146)	(25,256)	(11,309)	(60,711)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(153,383)</u>	<u>(49,380)</u>	<u>(623,090)</u>	<u>(825,853)</u>
Cash Flows from Investing Activities:				
Proceeds from Interest Earnings	<u>3,417</u>	<u>388</u>	<u>10,852</u>	<u>14,657</u>
Net Cash Provided by Investing Activities	<u>3,417</u>	<u>388</u>	<u>10,852</u>	<u>14,657</u>
Net Increase (Decrease) in Cash and Cash Equivalents	169,093	47,625	(4,836)	211,882
Cash and Cash Equivalents, October 1	681,838	167,725	2,505,220	3,354,783
Cash and Cash Equivalents, September 30	<u>\$ 850,931</u>	<u>\$ 215,350</u>	<u>\$ 2,500,384</u>	<u>\$ 3,566,665</u>

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Cash Flows - Continued
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating Income	\$ (59,169)	\$ (61,861)	\$ 400,502	\$ 279,472
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	317,934	170,999	175,739	664,672
Pension Expense Adjustment	38,260	(5,679)	61,211	93,792
(Increase) Decrease in Receivables	(23,136)	(6,707)	9,691	(20,152)
(Increase) Decrease in Prepaid Expense	(934)	(66)	(1,104)	(2,104)
(Increase) Decrease in Inventory of Supplies	(5,865)	(2,514)	12,670	4,291
(Increase) Decrease in Inventory of Natural Gas			22,574	22,574
Increase (Decrease) in Payables and Accrued Liabilities	17,243	2,445	57,547	77,235
Total Adjustments	343,502	158,478	338,328	840,308
Net Cash Provided by (Used for) Operating Activities	<u>\$ 284,333</u>	<u>\$ 96,617</u>	<u>\$ 738,830</u>	<u>\$ 1,119,780</u>

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements
September 30, 2018

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

I. Summary of Significant Accounting Policies - Continued

B. Government-wide and Fund Financial Statements - Continued

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

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

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

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

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

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

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

I. Summary of Significant Accounting Policies - Continued

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

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

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

The following major funds are used by the City:

1. Governmental Funds:

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

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

2. Proprietary Funds:

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

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

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

I. Summary of Significant Accounting Policies - Continued

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

3. Non-current Governmental Assets/Liabilities:

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

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

1. Deposits and Investments:

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

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

2. Receivables and Payables:

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

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

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities." No individually significant amounts were due from any single entity as of September 30, 2018.

3. Inventories and Prepaid Items:

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

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

4. Capital Assets:

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

I. Summary of Significant Accounting Policies - Continued

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

4. Capital Assets: - Continued

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

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

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

5. Long-term Obligations:

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

6. Compensated Absences:

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

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

I. Summary of Significant Accounting Policies - Continued

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

6. Compensated Absences: - Continued

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

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

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

E. Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position displays three components - invested in capital assets, net of related debt; restricted; and unrestricted. Unrestricted net position represents the net position available for future operations.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Board of Aldermen through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Board. Assigned fund balances is a limitation imposed by a designee of the City Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net position are classified the same as in the government-wide statements.

When restricted and unrestricted resources are available, restricted resources will only be used when the imposed restrictions have been met. Therefore, spending will primarily occur from unrestricted resources.

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

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

II. Details of the Reconciliation..... - Continued

One element of that reconciliation explains that "the acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and disposal of capital assets exceeded capital asset purchases in the current period." The details of this (\$194,835) are as follows:

Capital Outlay	\$ 291,150
Depreciation Expense	<u>(485,985)</u>
	<u>\$ (194,835)</u>

III. Stewardship, Compliance and Accountability

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

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

A. Deposits and Investments

Deposits - Cash on hand and in banks at September 30, 2018 was \$4,075,823. The entire bank balances were covered by a collateral pool administered by the State Treasurer which is governed by Section 27-105-5 Miss. Code Ann. (1972).

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

B. Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Tippah County Tax Assessor. Taxes on real and personal property are levied by

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

B. Property Taxes - Continued

the City Board of Aldermen at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City are collected by the Tippah County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis.

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

The tax levies for the calendar years 2017, 2016 and 2015 (taxes collected in the fiscal years ending 9/30/18, 9/30/17 and 9/30/16) are as follows:

	<u>9/30/18</u> <u>Millage</u>	<u>9/30/17</u> <u>Millage</u>	<u>9/30/16</u> <u>Millage</u>
City Funds			
General Fund	7.50	7.50	7.50
Public Safety	0.25	0.25	0.25
Parks and Recreation	2.00	2.00	2.00
Total Levy	<u>9.75</u>	<u>9.75</u>	<u>9.75</u>

C. Receivables

Receivables at September 30, 2018 for the government's individual major funds consist of the following:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Receivables:					
Trade Accounts (Net)	\$ 72,829	\$ 231,599	\$ 112,912	\$ 205,712	\$ 623,052
Franchise Fees	37,557				37,557
Sales Tax	297,301				297,301
Taxes	68,161				68,161
Interest Receivable		258		837	1,095
Total Receivables	<u>\$ 475,848</u>	<u>\$ 231,857</u>	<u>\$ 112,912</u>	<u>\$ 206,549</u>	<u>\$ 1,027,166</u>

D. Restricted Assets

A summary of restricted assets follows:

Restricted Cash

	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 250,033	GO Bond Fund

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

D. Restricted Assets - Continued

Restricted Cash - Continued

	<u>Amount</u>	<u>Restriction</u>
General Fund	1,441	GO Bonds Building Fund
General Fund	33,225	Drug Enforcement Fund
General Fund	52,353	Bond Fee Account
General Fund	1,614	Mainstreet Maintenance
General Fund	1,486	CDBG Account
Gas Fund	323	AMR GO Bond Fund
Gas Fund	29,548	Refund of Customer Deposits
Gas Fund	5,444	UCAC Fund
Water Fund	655	AMR GO Bond Fund
Water Fund	12,016	Refund of Customer Deposits
Water Fund	25,579	Requirement of Bonded Debt Retirements - Interest
Sewer Fund	1,051	USDA Interim Financing
Sewer Fund	32,711	Requirement of Bonded Debt Retirements - Cushion
Sewer Fund	17,859	Requirement of Bonded Debt Retirements - Contingency
Sewer Fund	17,895	Requirement of Bonded Debt Retirements - Depreciation
Total Restricted Cash	<u>483,233</u>	

Restricted Investments

Water Fund	8,905	Requirement of Bonded Debt Retirements - Contingency
Water Fund	8,905	Requirement of Bonded Debt Retirements - Depreciation
Water Fund	17,811	Requirement of Bonded Debt Retirements - Cushion
Water Fund	10,800	Requirement of Bonded Debt Retirements - Murry Spur
Water Fund	55,463	Refund of Customer Deposits
Sewer Fund	2,500	Requirement of Bonded Debt Retirements - Contingency
Sewer Fund	2,500	Requirement of Bonded Debt Retirements - Depreciation

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

D. Restricted Assets - Continued

Restricted Investments - Continued

Sewer Fund	8,000	Requirement of Bonded Debt Retirements - Cushion
Gas Fund	10,000	Requirement of Bonded Debt Retirements - Depreciation
Gas Fund	10,000	Requirement of Bonded Debt Retirements - Contingency
Gas Fund	50,000	Requirement of Bonded Debt Retirements - Cushion
Gas Fund	126,150	Refund of Customer Deposits
Total Restricted Investments	<u>311,034</u>	
Total Restricted Assets	<u>\$ 794,267</u>	

E. Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

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	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 546,060	\$	\$	\$ 546,060
Construction in Progress				
Total Capital Assets, not being Depreciated	<u>546,060</u>			<u>546,060</u>
Capital Assets, being Depreciated:				
Buildings	1,232,961	4,940		1,237,901
Improvements other than Buildings	1,513,605			1,513,605
Furniture, Vehicles and Equipment	2,997,416	59,780		3,057,196
Infrastructure	3,165,240	2,045		3,167,285
City Park	4,580,258	224,386		4,804,644
Total Capital Assets being Depreciated	<u>13,489,480</u>	<u>291,151</u>		<u>13,780,631</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

E. Capital Assets - Continued

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Governmental Activities:				
Less Accumulated Depreciation				
For:				
Buildings	656,927	25,637		682,564
Improvements other than				
Buildings	847,709	52,823		900,532
Furniture, Vehicles and				
Equipment	2,005,540	125,047		2,130,587
Infrastructure	973,200	155,347		1,128,547
City Park	519,986	127,132		647,118
Total Accumulated Depreciation	5,003,362	485,986		5,489,348
Total Capital Assets, being				
Depreciated, Net	8,486,118	(194,835)		8,291,283
Governmental Activities Capital				
Assets, Net	\$ 9,032,178	\$ (194,835)	\$	\$ 8,837,343
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Water Activities:				
Capital Assets, not being				
Depreciated:				
Land	\$ 95,896	\$	\$	\$ 95,896
Total Capital Assets, not being				
Depreciated	95,896			95,896
Capital Assets, being Depreciated:				
Buildings	14,783			14,783
Physical System	10,574,831	49,485		10,624,316
Furniture, Vehicles and				
Equipment	812,943	6,006		818,949
Total Capital Assets being				
Depreciated	11,402,557	55,491		11,458,048

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

E. Capital Assets - Continued

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Water Activities:				
Less Accumulated Depreciation				
For:				
Buildings	11,379	406		11,785
Physical System	4,687,130	305,844		4,992,974
Furniture, Vehicles and Equipment	402,805	11,684		414,489
Total Accumulated Depreciation	5,101,314	317,934		5,419,248
 Total Capital Assets, being Depreciated, Net	6,301,243	(262,443)		6,038,800
 Water Activities Capital Assets, Net	\$ 6,397,139	\$ (262,443)	\$	\$ 6,134,696

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Sewer Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 39,169	\$	\$	\$ 39,169
Construction in Progress	790,018	7,536,879		8,326,897
Total Capital Assets, not being Depreciated	829,187	7,536,879		8,366,066
 Capital Assets, being Depreciated:				
Buildings	4,510	1,826		6,336
Physical System	5,758,572			5,758,572
Furniture, Vehicles and Equipment	358,001	1,574		359,575
Total Capital Assets being Depreciated	6,121,083	3,400		6,124,483

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

E. Capital Assets - Continued

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Sewer Activities:				
Less Accumulated Depreciation				
For:				
Buildings	4,664	174		4,838
Physical System	2,004,119	167,308		2,171,427
Furniture, Vehicles and Equipment	172,215	3,517		175,732
Total Accumulated Depreciation	2,180,998	170,999		2,351,997
Total Capital Assets, being Depreciated, Net	3,940,085	(167,599)		3,772,486
Sewer Activities Capital Assets, Net	\$ 4,769,272	\$ 7,369,280	\$	\$ 12,138,552

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Gas Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 10,000	\$	\$	\$ 10,000
Construction in Progress		496,755		496,755
Total Capital Assets, not being Depreciated	10,000	496,755		506,755
Capital Assets, being Depreciated:				
Buildings	21,119			21,119
Physical System	4,697,019			4,697,019
Furniture, Vehicles and Equipment	712,664	86,976	(14,365)	785,275
Total Capital Assets being Depreciated	5,430,802	86,976	(14,365)	5,503,413

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

E. Capital Assets - Continued

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Gas Activities:				
Less Accumulated Depreciation				
For:				
Buildings	16,038	580		16,618
Physical System	1,779,183	124,346		1,903,529
Furniture, Vehicles and Equipment	552,629	50,813	(14,365)	589,077
Total Accumulated Depreciation	2,347,850	175,739	(14,365)	2,509,224
Total Capital Assets, being Depreciated, Net	3,082,952	(88,763)		2,994,189
Gas Activities Capital Assets, Net	<u>\$ 3,092,952</u>	<u>\$ 407,992</u>	<u>\$</u>	<u>\$ 3,500,944</u>

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

Governmental Activities:	
General Government	\$ 82,306
Public Safety	83,069
Public Works	180,188
Parks and Recreation	<u>140,422</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 485,985</u>
Business-type Activities:	
Water	\$ 317,934
Sewer	170,999
Gas	<u>175,739</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 664,672</u>

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

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

F. Long-term Debt

Debt of the Governmental Funds

The general obligation (GO) bond and note payable of the Governmental Funds are payable from operations of the General Fund. Debt balance and transactions for the year ended September 30, 2018, are as follows:

	Balance, October 1, 2017	Additions	Retirements and Other	Balance September 30, 2018	Due Within One Year
GO Bond	\$ 1,820,000	\$	\$ (175,000)	\$ 1,645,000	\$ 180,000
	<u>\$ 1,820,000</u>	<u>\$</u>	<u>\$ (175,000)</u>	<u>\$ 1,645,000</u>	<u>\$ 180,000</u>

The principal and interest requirements of the general obligation bond and note payable at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 180,000	\$ 44,756	\$ 224,756
2020	190,000	40,481	230,481
2021	195,000	35,731	230,731
2022	200,000	30,856	230,856
2023	210,000	25,606	235,606
2024-2028	670,000	40,381	710,381
	<u>\$ 1,645,000</u>	<u>\$ 217,811</u>	<u>\$ 1,862,811</u>

Debt of the Enterprise Funds

The revenue bonds of the Enterprise Funds are payable from operations of the Water Fund. Debt balance and transactions for the year ended September 30, 2018 are as follows:

	Balance, October 1, 2017	Additions	Retirements and Other	Balance September 30, 2018	Due Within One Year
Revenue Bond	\$ 14,257	\$	\$ (14,257)	\$	\$
Revenue Bond	2,539		(2,539)		
GO Bond	847,550		(56,950)	790,600	60,300
	<u>\$ 864,346</u>	<u>\$</u>	<u>\$ (73,746)</u>	<u>\$ 790,600</u>	<u>\$ 60,300</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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

F. Long-term Debt - Continued

Debt of the Enterprise Funds - Continued

The revenue bonds of the Enterprise Funds are payable from operations of the Sewer Fund. Debt balance and transactions for the year ended September 30, 2018 are as follows:

	Balance, October 1, 2017	Additions	Retirements and Other	Balance September 30, 2018	Due Within One Year
Revenue Bond	\$ 130,825	\$	\$ (7,573)	\$ 123,252	\$ 7,833
Revenue Bond	192,252		(6,807)	185,445	6,828
Revenue Bond	225,713		(6,345)	219,368	6,595
Interim Financing	411,936	3,014,752		3,426,688	
Interim Financing	617,903	4,522,128		5,140,031	
	<u>\$ 1,578,629</u>	<u>\$ 7,536,880</u>	<u>\$ (20,725)</u>	<u>\$ 9,094,784</u>	<u>\$ 21,256</u>

The revenue bonds of the Enterprise Funds are payable from operations of the Gas Fund. Debt balance and transactions for the year ended September 30, 2018 are as follows:

	Balance, October 1, 2017	Additions	Retirements and Other	Balance September 30, 2018	Due Within One Year
GO Bond	\$ 417,450	\$	\$ (28,050)	\$ 389,400	\$ 29,700

The principal and interest requirements of the above revenue bonds and notes payable at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 111,256	\$ 57,080	\$ 168,336
2020	112,271	54,039	166,310
2021	118,334	50,839	169,173
2022	124,448	47,351	171,799
2023	125,615	43,683	169,298
2024-2028	722,639	156,038	878,677
2029-2033	269,098	50,246	319,344
2034-2038	109,246	16,387	125,633
2039-2043	15,158	663	15,821
	<u>\$ 1,708,065</u>	<u>\$ 476,326</u>	<u>\$ 2,184,391</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

V. Other Information

A. Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi. 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.

For the cost-sharing plan 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 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receive benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. As of July 2013 the current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for 2018 were \$256,882 which was equal to the required contributions. The City's contributions to PERS for 2017 and 2016 were \$243,407 and \$248,877 respectively.

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

V. Other Information - Continued

A. Pension Plan - Continued

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

At September 30, 2018, the City reported a liability of \$4,158,243 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contribution to the total actual contributions of all participating employers to PERS as of and for the PERS fiscal year ended June 30, 2018. At June 30, 2018, the City's proportion was .025 percent.

For the year ended September 30, 2018, the City recognized pension expense of \$400,049. At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,230	\$ (17,529)
Changes in assumptions	2,453	(2,297)
Net difference between projected and actual earnings on pension plan investments	232,967	(315,628)
Changes in proportion and differences between System contributions and proportionate share of contributions	423	
District contributions subsequent to the measurement date	65,324	
Total	<u>\$ 319,397</u>	<u>\$ (335,454)</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Years ended June 30,	
2019	\$ 48,099
2020	(13,458)
2021	(97,743)
2022	(18,700)
2023	
Thereafter	
	<u>\$ (81,802)</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

V. Other Information - Continued

A. Pension Plan - Continued

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 18.50% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used at June 30, 2018 were based on the results of actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a long-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 as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
	<u>100.00 %</u>	

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Notes to Basic Financial Statements - Continued
September 30, 2018

V. Other Information - Continued

A. Pension Plan - Continued

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 the employer contributions will be made at the current employer contribution 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 members. 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.

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
System's proportionate share of the net pension liability	\$ 5,475,213	\$ 4,158,243	\$ 3,063,667

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at www.pers.ms.gov.

Payables to the Pension Plan

Amounts included in accounts payable and accrued expenses related to PERS contributions payable at September 30, 2018 are not material to the financial statements.

B. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2018 is as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$	\$ (21,272)
Water	518,630	
Sewer		(574,529)
Gas	77,171	
	<u>\$ 595,801</u>	<u>\$ (595,801)</u>

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

V. Other Information - Continued

C. Commitments and Contingencies

Grant Audits

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

Litigation

As of September 30, 2018, there was no pending litigation in which the City was involved.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk management activities are accounted for in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR). There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years.

VI. Net Position/Fund Balances

Net position reported on the government-wide statement of net position at September 30, 2018, include the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Invested in Capital Assets, Net of Related Debt		
Capital assets, net of accumulated depreciation	\$ 8,837,343	\$ 21,774,192
Less: Related long-term debt outstanding	(1,645,000)	(10,274,784)
Total Invested in Capital Assets, Net of Related Debt	<u>7,192,343</u>	<u>11,499,408</u>
 Unrestricted	 (2,086,331)	 3,127,580
Total Net Position	<u>\$ 5,106,012</u>	<u>\$ 14,626,988</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

VII. Prior Period Adjustments

During the year ended June 30, 2018, the following affected the beginning net position of the City of Ripley:

Governmental Activities

Unrestricted Net Assets beginning of year as previously stated: \$ 5,504,490

While preparing the financial statements of the City of Ripley, management noticed that customer accounts receivable had not been properly adjusted for uncollectable accounts. This failure to account for uncollectable customer accounts in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. (12,277)

While preparing the financial statements of the City of Ripley, management noticed that an interfund payable had been incorrectly accounted for as an interfund transfer. This failure to account for the interfund payable correctly in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. (55,000)

Unrestricted Net Assets, beginning of year, as restated \$ 5,437,213

Business-type Activities

Water Fund

Unrestricted Net Assets beginning of year as previously stated: \$ 6,730,480

While preparing the financial statements of the City of Ripley, management noticed that property, plant, equipment and accumulated depreciation had not been properly allocated to the Sewer Fund. This allocation error in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. (131,108)

Unrestricted Net Assets, beginning of year, as restated \$ 6,599,372

Sewer Fund

Unrestricted Net Assets beginning of year as previously stated: \$ 2,548,166

While preparing the financial statements of the City of Ripley, management noticed that property, plant, equipment and accumulated depreciation had not been properly allocated to the Sewer Fund. This allocation error in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. 131,108

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CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2018

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VII. Prior Period Adjustments - Continued

Sewer Fund - Continued

While preparing the financial statements of the City of Ripley, management noticed that customer accounts receivable had not been properly adjusted for uncollectable accounts. This failure to account for uncollectable customer accounts in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements.

(11,262)

Unrestricted Net Assets, beginning of year, as restated

\$ 2,668,012

Gas Fund

Unrestricted Net Assets beginning of year as previously stated:

\$ 5,049,524

While preparing the financial statements of the City of Ripley, management noticed that customer accounts receivable had not been properly adjusted for uncollectable accounts. This failure to account for uncollectable customer accounts in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements.

(17,690)

While preparing the financial statements of the City of Ripley, management noticed that gas storage inventory had not been properly calculated for prior years. This failure to properly account for the gas storage inventory in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements.

190,955

While preparing the financial statements of the City of Ripley, management noticed that an interfund receivable had been incorrectly accounted for as an interfund transfer. This failure to account for the interfund receivable correctly in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements.

55,000

Unrestricted Net Assets, beginning of year, as restated

\$ 5,277,789

The City of Ripley has adjusted all comparative amounts presented in the current period's financial statements affected by the change in accounting errors.

CITY OF RIPLEY, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budget Basis - General Fund
For the Year Ended September 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes			
Current Ad Valorem	\$ 366,738	\$ 322,890	\$ (43,848)
In Lieu of Taxes/Franchise Tax	67,300	65,202	(2,098)
Intergovernmental Revenues			
State Shared Revenues:			
Sales Tax	1,424,158	1,424,158	
Tourism Tax	310,300	310,300	
Fire Protection Refund	30,796	30,796	
State Gasoline Tax	5,360	5,359	(1)
General Municipal Aid	2,700	2,690	(10)
Railcar Tax	255		(255)
Collection from County:			
Road Tax	78,821	78,821	
Fire Protection Refund	20,000	20,000	
Building Code Rebate			
Fines and Forfeitures	62,198	59,355	(2,843)
Privilege Tax	14,095	14,265	170
Gross Receipts Tax	140,875	126,868	(14,007)
Building Fees, Permits and Inspections	14,410	11,218	(3,192)
Park Revenue	125,650	119,583	(6,067)
Charges for Services:			
Sanitation	327,903	327,903	
Grant Revenue	50,000		(50,000)
Miscellaneous	140,221	135,723	(4,498)
Interest	12,000	579	(11,421)
Total Revenues	<u>\$ 3,193,780</u>	<u>\$ 3,055,710</u>	<u>\$ (138,070)</u>

See accompanying notes to required supplementary information.

CITY OF RIPLEY, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budget Basis - General Fund - Continued
For the Year Ended September 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
General Government	\$ 467,792	\$ 461,709	\$ 6,083
Public Safety	1,059,556	1,067,141	(7,585)
Public Works	1,138,012	1,122,801	15,211
Parks and Recreation	929,693	923,077	6,616
Total Expenditures	<u>3,595,053</u>	<u>3,574,728</u>	<u>20,325</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(401,273)</u>	<u>(519,018)</u>	<u>(117,745)</u>
Other Financing Sources (Uses):			
Transfer In	401,273	251,701	(149,572)
Total Other Financing Sources	<u>401,273</u>	<u>251,701</u>	<u>(149,572)</u>
Net Change in Fund Balances	<u>\$</u>	<u>(267,317)</u>	<u>\$ (267,317)</u>
Fund Balances, October 1		<u>774,904</u>	
Fund Balances, September 30		<u><u>\$ 507,587</u></u>	

See accompanying notes to required supplementary information.

CITY OF RIPLEY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2018

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Budgetary Data

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

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

Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the budgetary and GAAP fund balances for the year ended September 30, 2018, is as follows:

Fund Balance - Budgetary Basis	\$ 507,587
Adjustment:	
Change in Revenue Accruals	<u>286,349</u>
Fund Balance - GAAP Basis	<u>\$ 793,936</u>

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

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

We have audited the financial statements of the governmental activities and the business-type activities of the City of Ripley, Mississippi as of and for the year ended September 30, 2018, which collectively comprise the City of Ripley, Mississippi's basic financial statements and have issued our report thereon dated June 20, 2019. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 and our audit of the financial statements disclosed no material instances on noncompliance with state laws and regulations.

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.

Lindsey, Davis & Associates

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
June 20, 2019

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CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Reconciliation of Original Ad-Valorem
Tax Rolls to Fund Collections
Year Ended September 30, 2018

	<u>Assessed Value</u>	<u>Millage</u>	<u>Tax</u>
<u>Assessed Valuation and Millage</u>			
Realty	23,791,655	9.75 Mills	\$ 231,969
Personal	6,382,679	9.75 Mills	62,231
Auto	5,322,896	9.75 Mills	51,898
	<u>35,497,230</u>		<u>346,098</u>
Less: Homestead Exemption Allowed			(33,591)
Exempted Industries			(1,779)
Total			<u>310,728</u>
<u>Collection Adjustments</u>			
Add: Actual Homestead Reimbursement			30,137
Mobile Home Tax			514
Other Privilege Tax			2,333
			<u>32,984</u>
<u>Total to be Accounted For</u>			<u>\$ 343,712</u>
	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Collection Credits Allocated to Funds:			
General Fund	\$ 302,166	\$ 30,137	\$ 332,303
Balance Represented by: Unpaid Property Taxes			<u>11,409</u>
<u>Total Accounted For</u>			<u>\$ 343,712</u>

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

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

<u>Actual Collections:</u>		<u>Actual Collections:</u>	
Base Year 2016	\$ 330,554	Taxes collected 2017	\$ 302,166
10% Increase	33,056	Homestead Exemption Reimb.	30,137
Exemption	6,354	Under (Over) Limitation	37,661
Total	<u>\$ 369,964</u>	Total	<u>\$ 369,964</u>

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Investments - All Funds
September 30, 2018

The following is a schedule of investments at September 30, 2018:

Certificates of Deposit

<u>Fund Account Name</u>	<u>Balance 9/30/18</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Water Meter Fund Account	\$ 10,000	02/26/19	0.55%
Gas Meter Account	25,650	02/28/19	0.55%
Water & Sewer Meter	15,463	01/03/19	0.55%
Gas Meter Account	10,000	12/29/18	0.55%
Gas Depreciation Account	8,000	07/19/19	0.65%
Gas Contingent Account	8,000	07/19/19	0.65%
Gas Cushion Account	37,000	07/19/19	0.65%
Water & Sewer Contingent Account	4,500	07/19/19	0.65%
Water & Sewer Depreciation Account	4,500	07/19/19	0.65%
Water & Sewer Cushion Account	9,000	07/19/19	0.65%
Gas Meter Account	10,000	07/19/19	0.65%
Water Meter Fund Account	10,000	07/19/19	0.65%
Gas Meter Account	10,000	12/12/18	0.50%
Water & Sewer Cushion Account	3,000	05/19/19	0.55%
Water & Sewer Depreciation Account	1,500	11/19/18	0.55%
Water & Sewer Contingent Account	1,500	11/19/18	0.55%
Gas Operations	120,410	01/17/19	0.55%
Gas Operations	123,984	02/15/19	0.50%
Gas Meter	40,000	02/15/19	0.50%
Water Meter Fund Account	20,000	02/15/19	0.50%
Water & Sewer Cushion	8,000	02/15/19	0.50%
Water & Sewer Depreciation	2,500	02/15/19	0.50%
Water & Sewer Contingent	2,500	02/15/19	0.50%
Gas Operations	116,229	12/06/18	0.25%
Gas Contingent Account	2,000	12/23/18	0.40%
Gas Cushion Account	13,000	12/23/18	0.40%
Gas Depreciation Account	2,000	12/23/18	0.40%
Murry Spur Water System	10,800	08/23/19	0.65%
Water & Sewer Depreciation Account	2,905	11/14/18	0.65%
Water & Sewer Contingent Account	2,905	11/14/18	0.65%
Water & Sewer Cushion Account	5,811	11/14/18	0.65%
Gas Meter	30,500	02/08/19	0.55%
Antioch Reserve	11,817	08/25/19	0.65%
Total	<u>\$ 683,474</u>		

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Surety Bonds for Municipal Officials
and Other Municipal Employees
September 30, 2018

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

	<u>Bonded Amount</u>	<u>Policy Expiration Date</u>
Mayor		
Chris Marsalis	\$ 50,000	6-30-2021
Aldermen		
Joey Bryant	50,000	7-03-2019
Homer Richardson	50,000	7-03-2019
Jon Grisham	50,000	7-03-2019
Stephen Freeman	50,000	7-03-2019
Jackie McKenzie	50,000	7-03-2019
City Clerk and Tax Collector		
Lisa Mauney	50,000	1-29-2019
Court Clerk		
Kathi Watson	50,000	7-07-2019
Police Chief		
Scott White	50,000	7-07-2019

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SHONDA DAVIS

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

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

We have audited, 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 and the business-type activities of the City of Ripley, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Ripley's basic financial statements, and have issued our report thereon dated June 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ripley'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 the City of Ripley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ripley'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.

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.

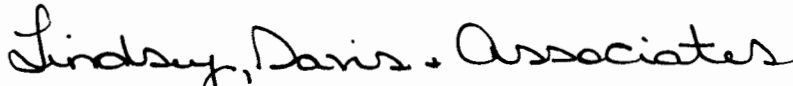
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ripley'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Lindsey Davis & Associates".

Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
June 20, 2019