

CITY OF RIPLEY, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF RIPLEY, MISSISSIPPI

**Comprehensive Annual Financial Report
For the Year Ended September 30, 2019**

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, 2019

TABLE OF CONTENTS

I. FINANCIAL SECTION	Page
Independent Auditor's Report	1-3
A. Management's Discussion and Analysis (unaudited)	4-8
B. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12-13
Proprietary Fund Financial Statements	
Statement of Net Position	14-15
Statement of Revenues, Expenses and Changes in Net Position	16-17
Statement of Cash Flows	18-19
Notes to Basic Financial Statements	20-40
C. Required Supplementary Information (other than MD&A)	
Schedule of the City of Ripley's Proportionate Share of the Net Pension Liability	41-42
Schedule of the City of Ripley's Contributions	43
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis - General Fund	44-45
Notes to Required Supplementary Information	46
D. Supplementary Information	
Independent Auditor's Report on Compliance with State Laws and Regulations	47
Schedule of Reconciliation of Original Ad-Valorem Tax Rolls to Fund Collections	48
Schedule of Investments - All Funds	49
Schedule of Surety Bonds for Municipal Officials and Other Municipal Employees	50
II. COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	51
Notes to Schedule of Expenditures of Federal Awards	52
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	53-54

Report on

Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	55-56
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Schedule of Findings and Questioned Costs	57
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LINDSEY, DAVIS AND ASSOCIATES

STOCKHOLDERS

CHARLES L. DAVIS, JR., CPA
DEAN CAVINESS, CPA
STEPHANIE CLIFTON, CPA
B.J. HORTON, CPA
SHONDA DAVIS

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019, 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, 2019, 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 Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

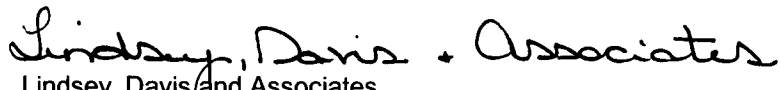
Other Information

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 September 25, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ripley, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ripley, Mississippi's internal control over financial reporting and compliance.


Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
September 25, 2020

CITY OF RIPLEY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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, 2019.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2019 fiscal year by \$21,255,984. Of this amount, \$694,339 may be used to meet the City of Ripley's ongoing obligations to citizens and creditors.
- The City's total debt is \$13,202,228.

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, 2019

	Governmental Activities	Business-type Activities	2019 Total	2018 Total
Current and Other Assets	\$ 1,084,449	\$ 5,294,031	\$ 6,378,480	\$ 6,370,311
Capital Assets, Net	9,240,352	24,523,521	33,763,873	30,611,535
Deferred Outflows of Resources	206,076	95,210	301,286	319,397
Total Assets	10,530,877	29,912,762	40,443,639	37,301,243
Current and Other Liabilities	383,751	1,302,347	1,686,098	1,446,017
Long-term Liabilities	4,560,986	12,940,571	17,501,557	16,122,225
Total Liabilities	4,944,737	14,242,918	19,187,655	17,568,242
Invested in Capital Assets	7,775,352	12,786,293	20,561,645	18,691,751
Unrestricted	(2,189,212)	2,883,551	694,339	1,041,250
Total Net Position	\$ 5,586,140	\$ 15,669,844	\$ 21,255,984	\$ 19,733,001

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 97% 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, 2019

	Governmental Activities	Business-type Activities	2019 Total	2018 Total
Revenues:				
Program Revenues:				
Charges for Services	\$ 593,619	\$ 8,409,103	\$ 9,002,722	\$ 8,145,262
Operating Grants and Contr.	57,230		57,230	57,086
Capital Grants and Contr.	699,976	1,021,305	1,721,281	36,923
General Revenues:				
Property Taxes	371,714		371,714	336,303
Sales Tax	1,458,415		1,458,415	1,433,798
Tourism Tax	344,717		344,717	317,389
Franchise Taxes	182,688		182,688	206,521
Road Tax	97,556		97,556	74,866
Other Taxes	5,359		5,359	5,359
Interest	2,288	14,181	16,469	17,163
Transfer	195,989	(195,989)		
Other	189,880		189,880	85,196
Total Revenues	<u>4,199,431</u>	<u>9,248,600</u>	<u>13,448,031</u>	<u>10,715,866</u>
Expenses:				
General Government	554,791		554,791	553,802
Public Safety	1,328,413		1,328,413	1,176,229
Public Works	1,296,488		1,296,488	1,317,093
Parks and Recreation	539,611		539,611	550,691
Water Service		1,461,890	1,461,890	1,274,565
Sewer Service		1,207,521	1,207,521	739,644
Gas Service		5,536,334	5,536,334	5,353,227
Total Expenses	<u>3,719,303</u>	<u>8,205,745</u>	<u>11,925,048</u>	<u>10,965,251</u>
 Increase (Decrease) in Net Position	 480,128	 1,042,855	 1,522,983	 (249,385)
 Net Position - Beginning of Year	 <u>5,106,012</u>	 <u>14,626,989</u>	 <u>19,733,001</u>	 <u>19,982,385</u>
 Net Position - End of Year	 <u>\$ 5,586,140</u>	 <u>\$ 15,669,844</u>	 <u>\$ 21,255,984</u>	 <u>\$ 19,733,000</u>

Governmental Activities

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (35%) and capital grants and contributions (17%).

The largest expense categories for the City's governmental activities are public safety (36%) and public works (35%).

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

Table 1
Revenues by Source - Governmental Activities

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Charges for Services	\$ 593,619	14.8%	\$ 559,065	18.0%
Grants and Contributions	757,206	18.9%	94,009	3.0%
Property Taxes	371,714	9.4%	336,303	10.8%
Road Tax	97,556	2.4%	74,866	2.4%
Sales Tax	1,458,415	36.4%	1,433,798	46.0%
Tourism Tax	344,717	8.6%	317,389	10.2%
Franchise Taxes	182,688	4.6%	206,521	6.6%
Other Taxes	5,359	0.1%	5,359	0.2%
Interest	2,288	0.1%	2,407	0.1%
Other	189,880	4.7%	85,196	2.7%
	<u>\$ 4,003,442</u>	<u>100.0%</u>	<u>\$ 3,114,913</u>	<u>100.0%</u>

Table 2
Expenses by Function - Governmental Activities

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
General Government	\$ 554,791	14.9%	\$ 553,802	15.4%
Public Safety	1,328,413	35.7%	1,176,229	32.7%
Public Works	1,296,488	34.9%	1,317,093	36.6%
Parks and Recreation	539,611	14.5%	550,691	15.3%
	<u>\$ 3,719,303</u>	<u>100.0%</u>	<u>\$ 3,597,815</u>	<u>100.0%</u>

Table 3
Revenues by Source - Business-type Activities

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Gas Charges for Services	\$ 5,932,428	62.8%	\$ 5,742,420	75.5%
Water Charges for Services	1,521,298	16.1%	1,191,250	15.7%
Sewer Charges for Services	955,377	10.1%	652,527	8.6%
Grants and Contributions	1,021,305	10.8%		
Interest	14,181	0.2%	14,756	0.2%
	<u>\$ 9,444,589</u>	<u>100.0%</u>	<u>\$ 7,600,953</u>	<u>100.0%</u>

Business-type Activities

Business-type activities increased the City's net position by \$1,042,855. 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 \$5,932,428 (71%) for gas, \$1,521,298 (18%) for water and \$955,377 (11%) 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, 2019, amount to \$33,763,873, net of accumulated depreciation of \$16,973,022. 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 \$13,202,228 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 2020 budget. The total budgeted appropriations for the City operations in the governmental activities is \$3,743,390.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 242,172	\$ 2,638,540	\$ 2,880,712
Investments		372,498	372,498
Receivables:			
Accounts (Net)	79,253	711,601	790,854
Franchise Fees	37,239		37,239
Sales Tax	302,837		302,837
Taxes	72,972		72,972
Interest Receivable		1,121	1,121
Other Receivables	8,556		8,556
Internal Balances		595,801	595,801
Inventory of Supplies, at Cost		109,533	109,533
Inventory of Natural Gas, at Cost		384,829	384,829
Prepaid Expenses		23,119	23,119
Total Current Assets	<u>743,029</u>	<u>4,837,042</u>	<u>5,580,071</u>
<u>Restricted Assets</u>			
Cash and Cash Equivalents	<u>341,420</u>	<u>456,989</u>	<u>798,409</u>
Total Restricted Assets	<u>341,420</u>	<u>456,989</u>	<u>798,409</u>
<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		21,179,868	21,179,868
Furniture, Vehicles and Equipment	3,102,355	2,033,291	5,135,646
Infrastructure	3,942,172		3,942,172
City Park	4,901,654		4,901,654
Construction in Progress		12,092,686	12,092,686
Accumulated Depreciation	<u>(6,003,395)</u>	<u>(10,969,627)</u>	<u>(16,973,022)</u>
Total Capital Assets	<u>9,240,352</u>	<u>24,523,521</u>	<u>33,763,873</u>
<u>Deferred Outflows of Resources</u>			
Pension Plan	<u>206,076</u>	<u>95,210</u>	<u>301,286</u>
Total Deferred Outflows of Resources	<u>206,076</u>	<u>95,210</u>	<u>301,286</u>
Total Assets	<u>10,530,877</u>	<u>29,912,762</u>	<u>40,443,639</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	172,479	190,530	363,009
Internal Balances	21,272	574,529	595,801
Current Portion of Long-term Debt	190,000	314,824	504,824
<u>Current Liabilities Payable from Restricted Assets</u>			
Customer Meter Deposits		222,464	222,464
Total Current Liabilities	<u>383,751</u>	<u>1,302,347</u>	<u>1,686,098</u>
<u>Long-term Liabilities, Net of Current Portion</u>			
Long-term Debt	1,275,000	11,422,404	12,697,404
Pension Liability	3,128,504	1,445,408	4,573,912
Deferred Inflows - Pension Plan	157,482	72,759	230,241
Total Long-term Liabilities	<u>4,560,986</u>	<u>12,940,571</u>	<u>17,501,557</u>
Total Liabilities	<u>4,944,737</u>	<u>14,242,918</u>	<u>19,187,655</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	7,775,352	12,786,293	20,561,645
Unrestricted	<u>(2,189,212)</u>	<u>2,883,551</u>	<u>694,339</u>
Total Net Position	<u>\$ 5,586,140</u>	<u>\$ 15,669,844</u>	<u>\$ 21,255,984</u>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 554,791	\$ 42,295	\$ 2,690	\$ 199,976
Public Safety	1,328,413	84,745	54,540	
Public Works	1,296,488	345,153		500,000
Parks and Recreation	539,611	121,426		
Total Governmental Activities	3,719,303	593,619	57,230	699,976
Business-type Activities:				
Water	1,461,890	1,521,298		5,000
Sewer	1,207,521	955,377		1,016,305
Gas	5,536,334	5,932,428		
Total Business-type Activities	8,205,745	8,409,103		1,021,305
Total Primary Government	\$ 11,925,048	\$ 9,002,722	\$ 57,230	\$ 1,721,281

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
\$ (309,830)	\$	\$ (309,830)
(1,189,128)		(1,189,128)
(451,335)		(451,335)
(418,185)		(418,185)
<u>(2,368,478)</u>		<u>(2,368,478)</u>
	64,408	64,408
	764,161	764,161
	396,094	396,094
	<u>1,224,663</u>	<u>1,224,663</u>
<u>(2,368,478)</u>	<u>1,224,663</u>	<u>(1,143,815)</u>
371,714		371,714
1,458,415		1,458,415
344,717		344,717
182,688		182,688
97,556		97,556
5,359		5,359
2,288	14,181	16,469
195,989	(195,989)	
189,880		189,880
<u>2,848,606</u>	<u>(181,808)</u>	<u>2,666,798</u>
480,128	1,042,855	1,522,983
<u>5,106,012</u>	<u>14,626,989</u>	<u>19,733,001</u>
<u>\$ 5,586,140</u>	<u>\$ 15,669,844</u>	<u>\$ 21,255,984</u>

CITY OF RIPLEY, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Cash and Cash Equivalents - Unrestricted	\$ 242,172	\$ 242,172
Cash and Cash Equivalents - Restricted	341,420	341,420
Receivables (Net):		
Accounts	79,253	79,253
Franchise Fees	37,239	37,239
Sales Tax	302,837	302,837
Taxes	72,972	72,972
Other	8,556	8,556
Total Assets	<u>\$ 1,084,449</u>	<u>\$ 1,084,449</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable & Accrued Liabilities	\$ 172,479	\$ 172,479
Due to Other Funds	21,272	21,272
Total Liabilities	<u>193,751</u>	<u>193,751</u>
Fund Balances:		
Unassigned	890,698	890,698
Total Fund Balances	<u>890,698</u>	<u>890,698</u>
Total Liabilities and Fund Balances	<u>\$ 1,084,449</u>	

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.	9,240,352
Pension liabilities, including related deferred outflows and inflows are not payable in the current year and are, therefore, not reported in governmental funds.	(3,079,910)
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	<u>(1,465,000)</u>
Net position of governmental activities	<u>\$ 5,586,140</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
Governmental Funds
For the Year Ended September 30, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
General Property Taxes		
Current Ad Valorem	\$ 335,312	\$ 335,312
Prior Year Ad Valorem	2,223	2,223
Penalties and Interest on		
Delinquent Taxes	2,318	2,318
In Lieu of Taxes/Franchise Tax	182,688	182,688
Intergovernmental Revenues		
State Shared Revenues:		
Homestead Exemption	31,861	31,861
Sales Tax	1,458,415	1,458,415
Tourism Tax	344,717	344,717
Fire Protection Refund	30,940	30,940
State Gasoline Tax	5,359	5,359
General Municipal Aid	2,690	2,690
Collection from County:		
Road Tax	97,556	97,556
Fire Protection Refund	20,000	20,000
Building Code Rebate	902	902
Fines and Forfeitures	45,913	45,913
Privilege Tax	36,137	36,137
Building Fees, Permits and Inspections	6,158	6,158
Park Revenue	121,426	121,426
Charges for Services:		
Sanitation	345,153	345,153
Grant Revenue	703,576	703,576
Transfer In	195,989	195,989
Miscellaneous	227,810	227,810
Interest	2,288	2,288
Total Revenues	<u>4,199,431</u>	<u>4,199,431</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, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
Expenditures:		
Current:		
General Government	177,568	177,568
Public Safety	1,155,148	1,155,148
Public Works	1,050,073	1,050,073
Parks and Recreation	378,091	378,091
Capital Outlay	33,370	33,370
Capital Projects	883,687	883,687
Grant Expense	199,976	199,976
Principal Payments	180,000	180,000
Interest Expense	44,756	44,756
Total Expenditures	<u>4,102,669</u>	<u>4,102,669</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>96,762</u>	<u>96,762</u>
Net Change in Fund Balances	96,762	96,762
Fund Balances, October 1	<u>793,936</u>	
Fund Balances, September 30	<u><u>\$ 890,698</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.	403,011
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.	(199,645)
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>180,000</u>
Change in net position of governmental activities	<u><u>\$ 480,128</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, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 374,814	\$ 416,044	\$ 1,847,682	\$ 2,638,540
Investments	11,875		360,623	372,498
Receivables:				
Accounts (Net)	291,145	181,807	238,649	711,601
Interest Receivable	367		754	1,121
Due from Other Funds	518,630		77,171	595,801
Prepaid Expense	13,756	3,245	6,118	23,119
Inventory of Supplies, at Cost	29,842	12,789	66,902	109,533
Inventory of Natural Gas, at Cost			384,829	384,829
Total Current Assets	1,240,429	613,885	2,982,728	4,837,042
Non-current Assets:				
Restricted Assets:				
Cash	42,021	68,465	35,469	145,955
Investments	101,884	13,000	196,150	311,034
Total Restricted Assets	143,905	81,465	231,619	456,989
Capital Assets:				
Land	95,896	39,169	10,000	145,065
Buildings and Improvements	14,783	6,336	21,119	42,238
Physical System	10,687,823	5,758,572	4,733,473	21,179,868
Furniture, Vehicles & Equipment	858,848	359,575	814,868	2,033,291
Construction in Progress	19,826	11,082,484	990,376	12,092,686
Accumulated Depreciation	(5,748,245)	(2,523,138)	(2,698,244)	(10,969,627)
Total Capital Assets Net of Accumulated Depreciation	5,928,931	14,722,998	3,871,592	24,523,521
Total Non-current Assets	6,072,836	14,804,463	4,103,211	24,980,510
<u>Deferred Outflows of Resources</u>				
Pension Plan	27,130	18,899	49,181	95,210
Total Assets	\$ 7,340,395	\$ 15,437,247	\$ 7,135,120	\$ 29,912,762

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, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	\$ 45,452	\$ 67,679	\$ 77,399	\$ 190,530
Due to Other Funds		574,529		574,529
Current Portion of Revenue Bond	60,300	224,824	29,700	314,824
Total Current Liabilities	<u>105,752</u>	<u>867,032</u>	<u>107,099</u>	<u>1,079,883</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)	670,000	10,422,404	330,000	11,422,404
Pension Liability	411,872	286,912	746,624	1,445,408
Deferred Inflow - Pension Plan	20,733	14,443	37,583	72,759
Total Non-current Liabilities	<u>1,102,605</u>	<u>10,723,759</u>	<u>1,114,207</u>	<u>12,940,571</u>
Total Liabilities	<u>1,275,696</u>	<u>11,590,791</u>	<u>1,376,431</u>	<u>14,242,918</u>
<u>Net Position</u>				
Invested in Capital Assets, Net of Related Debt	5,198,631	4,075,770	3,511,892	12,786,293
Unrestricted	866,068	(229,314)	2,246,797	2,883,551
Total Net Position	<u>\$ 6,064,699</u>	<u>\$ 3,846,456</u>	<u>\$ 5,758,689</u>	<u>\$ 15,669,844</u>

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

CITY OF RIPLEY, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Operating Revenues:				
Water Sales	\$ 1,490,291	\$	\$	\$ 1,490,291
Sewer Services		950,452		950,452
Gas Sales			5,868,846	5,868,846
Cut-On/Cut-Off Charges	4,932		5,177	10,109
Connection Fees	5,976	4,925	27,593	38,494
Meter Fees	20,099		26,074	46,173
Refunds and Miscellaneous			4,738	4,738
Total Operating Revenues	1,521,298	955,377	5,932,428	8,409,103
Operating Expenses:				
Operating Salaries	354,365	195,919	578,835	1,129,119
Social Security and Retirement Benefits	107,923	99,872	51,233	259,028
Gas Purchases			3,565,950	3,565,950
Gas Transportation Fees			444,411	444,411
Depreciation Expense	328,997	171,141	189,020	689,158
Materials and Supplies	135,647	79,820	193,487	408,954
Utilities Purchased	166,097	94,652	11,154	271,903
Repairs and Maintenance	80,401	197,370	85,217	362,988
Travel and Miscellaneous	78,094	38,598	120,567	237,259
Dues and Publications	12,950	260	4,103	17,313
Gas and Oil	15,823	11,648	26,828	54,299
Telephone and Postage	21,343	15,249	55,342	91,934
Insurance	66,207	43,443	84,935	194,585
Professional Services	27,258	20,242	47,245	94,745
Bad Debt	19,849	22,965	11,331	54,145
Sales Tax	25,257		55,998	81,255
Total Operating Expenses	1,440,211	991,179	5,525,656	7,957,046
Operating Income	81,087	(35,802)	406,772	452,057

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, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Nonoperating Revenues (Expenses):				
Interest Revenue	3,053	1,012	10,116	14,181
Interest Expense and Fiscal Charges	(21,679)	(216,342)	(10,678)	(248,699)
Total Nonoperating Revenues (Expenses)	(18,626)	(215,330)	(562)	(234,518)
Income Before Operating Transfers and Contributions	62,461	(251,132)	406,210	217,539
Contributions in Aid of Construction	5,000	1,016,305		1,021,305
Transfers In (Out)	(557,000)	500,000	(138,989)	(195,989)
Change in Net Position	(489,539)	1,265,173	267,221	1,042,855
Total Net Position, October 1	6,554,238	2,581,283	5,491,468	14,626,989
Total Net Position, September 30	\$ 6,064,699	\$ 3,846,456	\$ 5,758,689	\$ 15,669,844

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, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,461,751	\$ 886,482	\$ 5,899,490	\$ 8,247,723
Cash Payments to Suppliers	(637,027)	(480,078)	(4,584,628)	(5,701,733)
Cash Payments to Employees	(390,794)	(222,077)	(646,486)	(1,259,357)
Net Cash Provided by (Used for) Operating Activities	<u>433,930</u>	<u>184,327</u>	<u>668,376</u>	<u>1,286,633</u>
Cash Flows from Noncapital Financing Activities:				
Operating Net Transfers In (Out)	(557,000)	500,000	(138,989)	(195,989)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(557,000)</u>	<u>500,000</u>	<u>(138,989)</u>	<u>(195,989)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(123,232)	(2,755,587)	(559,668)	(3,438,487)
Contributions in Aid of Construction - Grant Income	5,000	1,016,305		1,021,305
Contributions in Aid of Construction - Loan Proceeds		1,739,281		1,739,281
Repayment of Long-term Debt	(60,300)	(186,837)	(29,700)	(276,837)
Interest Payment of Long-term Debt	(21,679)	(216,342)	(10,678)	(248,699)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(200,211)</u>	<u>(403,180)</u>	<u>(600,046)</u>	<u>(1,203,437)</u>
Cash Flows from Investing Activities:				
Proceeds from Interest Earnings	2,944	1,012	10,199	14,155
Net Cash Provided by Investing Activities	<u>2,944</u>	<u>1,012</u>	<u>10,199</u>	<u>14,155</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(320,337)	282,159	(60,460)	(98,638)
Cash and Cash Equivalents, October 1	850,931	215,350	2,500,384	3,566,665
Cash and Cash Equivalents, September 30	<u>\$ 530,594</u>	<u>\$ 497,509</u>	<u>\$ 2,439,924</u>	<u>\$ 3,468,027</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, 2019

	Business-type Activities Enterprise Funds			
	Water	Sewer	Gas	Total
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating Income	\$ 81,087	\$ (35,802)	\$ 406,772	\$ 452,057
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	328,997	171,141	189,020	689,158
Pension Expense Adjustment	71,532	73,741	(16,351)	128,922
(Increase) Decrease in Receivables	(59,546)	(68,895)	(32,937)	(161,378)
(Increase) Decrease in Prepaid Expense	985	231	(618)	598
(Increase) Decrease in Inventory of Supplies	9,820	4,209	1,739	15,768
(Increase) Decrease in Inventory of Natural Gas			137,674	137,674
Increase (Decrease) in Payables and Accrued Liabilities	1,055	39,702	(16,923)	23,834
Total Adjustments	352,843	220,129	261,604	834,576
Net Cash Provided by (Used for) Operating Activities	\$ 433,930	\$ 184,327	\$ 668,376	\$ 1,286,633

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements
September 30, 2019

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.

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019

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.

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019.

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, 2019

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

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, 2019

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 capital asset purchases exceeded depreciation expense and disposal of capital assets in the current period." The details of this \$403,011 are as follows:

Capital Outlay	\$ 917,058
Depreciation Expense	<u>(514,047)</u>
	<u><u>\$ 403,011</u></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, 2019 was \$4,051,619. 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, 2019

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 2018, 2017 and 2016 (taxes collected in the fiscal years ending 9/30/19, 9/30/18 and 9/30/17) are as follows:

	<u>9/30/19</u> <u>Millage</u>	<u>9/30/18</u> <u>Millage</u>	<u>9/30/17</u> <u>Millage</u>
City Funds			
General Fund	8.250	7.50	7.50
Public Safety	0.275	0.25	0.25
Parks and Recreation	2.200	2.00	2.00
Total Levy	<u>10.725</u>	<u>9.75</u>	<u>9.75</u>

C. Receivables

Receivables at September 30, 2019 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)	\$ 79,253	\$ 291,145	\$ 181,807	\$ 238,649	\$ 790,854
Franchise Fees	37,239				37,239
Sales Tax	302,837				302,837
Taxes	72,972				72,972
Interest Receivable		367		754	1,121
Other Receivable	8,556				8,556
Total Receivables	<u>\$ 500,857</u>	<u>\$ 291,512</u>	<u>\$ 181,807</u>	<u>\$ 239,403</u>	<u>\$ 1,213,579</u>

D. Restricted Assets

A summary of restricted assets follows:

Restricted Cash

	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 261,382	GO Bond Fund

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	1,446	GO Bonds Building Fund
General Fund	22,152	Drug Enforcement Fund
General Fund	53,317	Bond Fee Account
General Fund	1,621	Mainstreet Maintenance
General Fund	1,502	CDBG Account
Gas Fund	337	AMR GO Bond Fund
Gas Fund	29,666	Refund of Customer Deposits
Gas Fund	5,466	UCAC Fund
Water Fund	685	AMR GO Bond Fund
Water Fund	12,064	Refund of Customer Deposits
Water Fund	29,272	Requirement of Bonded Debt Retirements - Interest
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>487,375</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, 2019

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	<u>126,150</u>	Refund of Customer Deposits
Total Restricted Investments	<u>311,034</u>	
Total Restricted Assets	<u><u>\$ 798,409</u></u>	

E. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 546,060	\$	\$	\$ 546,060
Construction in Progress				
Total Capital Assets, not being Depreciated	<u>546,060</u>			<u>546,060</u>
Capital Assets, being Depreciated:				
Buildings	1,237,901			1,237,901
Improvements other than Buildings	1,513,605			1,513,605
Furniture, Vehicles and Equipment	3,057,196	45,159		3,102,355
Infrastructure	3,167,285	774,887		3,942,172
City Park	4,804,644	97,010		4,901,654
Total Capital Assets being Depreciated	<u>13,780,631</u>	<u>917,056</u>		<u>14,697,687</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	682,564	25,612		708,176
Improvements other than Buildings	900,532	51,171		951,703
Furniture, Vehicles and Equipment	2,130,587	125,378		2,255,965
Infrastructure	1,128,547	179,946		1,308,493
City Park	647,118	131,940		779,058
Total Accumulated Depreciation	5,489,348	514,047		6,003,395
 Total Capital Assets, being Depreciated, Net	 8,291,283	 403,009		 8,694,292
 Governmental Activities Capital Assets, Net	 \$ 8,837,343	 \$ 403,009	 \$	 \$ 9,240,352

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Water Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 95,896	\$	\$	\$ 95,896
Construction in Progress		19,826		19,826
Total Capital Assets, not being Depreciated	95,896	19,826		115,722
 Capital Assets, being Depreciated:				
Buildings	14,783			14,783
Physical System	10,624,316	63,507		10,687,823
Furniture, Vehicles and Equipment	818,949	39,899		858,848
Total Capital Assets being Depreciated	11,458,048	103,406		11,561,454

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	11,785	406		12,191
Physical System	4,992,974	291,208		5,284,182
Furniture, Vehicles and Equipment	414,489	37,383		451,872
Total Accumulated Depreciation	5,419,248	328,997		5,748,245
 Total Capital Assets, being Depreciated, Net	 6,038,800	 (225,591)		 5,813,209
 Water Activities Capital Assets, Net	 \$ 6,134,696	 \$ (205,765)	 \$	 \$ 5,928,931

	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	8,326,897	2,755,587		11,082,484
Total Capital Assets, not being Depreciated	8,366,066	2,755,587		11,121,653
 Capital Assets, being Depreciated:				
Buildings	6,336			6,336
Physical System	5,758,572			5,758,572
Furniture, Vehicles and Equipment	359,575			359,575
Total Capital Assets being Depreciated	6,124,483			6,124,483

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	4,838	174		5,012
Physical System	2,171,427	156,217		2,327,644
Furniture, Vehicles and Equipment	175,732	14,750		190,482
Total Accumulated Depreciation	2,351,997	171,141		2,523,138
Total Capital Assets, being Depreciated, Net	3,772,486	(171,141)		3,601,345
Sewer Activities Capital Assets, Net	\$ 12,138,552	\$ 2,584,446	\$	\$ 14,722,998
	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	493,621		990,376
Total Capital Assets, not being Depreciated	506,755	493,621		1,000,376
Capital Assets, being Depreciated:				
Buildings	21,119			21,119
Physical System	4,697,019	36,454		4,733,473
Furniture, Vehicles and Equipment	785,275	29,593		814,868
Total Capital Assets being Depreciated	5,503,413	66,047		5,569,460

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	16,618	580		17,198
Physical System	1,903,529	125,254		2,028,783
Furniture, Vehicles and Equipment	589,077	63,186		652,263
Total Accumulated Depreciation	2,509,224	189,020		2,698,244
Total Capital Assets, being Depreciated, Net	2,994,189	(122,973)		2,871,216
Gas Activities Capital Assets, Net	<u>\$ 3,500,944</u>	<u>\$ 370,648</u>	<u>\$</u>	<u>\$ 3,871,592</u>

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

Governmental Activities:	
General Government	\$ 80,584
Public Safety	83,425
Public Works	204,490
Parks and Recreation	145,548
Total Depreciation Expense - Governmental Activities	<u>\$ 514,047</u>
Business-type Activities:	
Water	\$ 328,997
Sewer	171,141
Gas	189,020
Total Depreciation Expense - Business-type Activities	<u>\$ 689,158</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, 2019

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, 2019, are as follows:

	Balance, October 1, 2018	Additions	Retirements and Other	Balance September 30, 2019	Due Within One Year
GO Bond	\$ 1,645,000	\$	\$ (180,000)	\$ 1,465,000	\$ 190,000
	<u>\$ 1,645,000</u>	<u>\$</u>	<u>\$ (180,000)</u>	<u>\$ 1,465,000</u>	<u>\$ 190,000</u>

The principal and interest requirements of the general obligation bond and note payable at September 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Total
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	215,000	19,831	234,831
2025-2029	455,000	20,550	475,550
	<u>\$ 1,465,000</u>	<u>\$ 173,055</u>	<u>\$ 1,638,055</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, 2019 are as follows:

	Balance, October 1, 2018	Additions	Retirements and Other	Balance September 30, 2019	Due Within One Year
GO Bond	\$ 790,600	\$	(60,300)	\$ 730,300	\$ 60,300
	<u>\$ 790,600</u>	<u>\$</u>	<u>\$ (60,300)</u>	<u>\$ 730,300</u>	<u>\$ 60,300</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019 are as follows:

	Balance, October 1, 2018	Additions	Retirements and Other	Balance September 30, 2019	Due Within One Year
Revenue Bond	\$ 123,252	\$	\$ (7,279)	\$ 115,973	\$ 8,206
Revenue Bond	185,445		(6,997)	178,448	7,161
Revenue Bond	219,368		(6,779)	212,589	6,892
Interim Financing	3,426,688		(3,426,688)		
Interim Financing	5,140,031		(5,140,031)		
Revenue Bond		9,306,000	(149,725)	9,156,275	182,910
Revenue Bond		1,000,000	(16,056)	983,944	19,655
	<u>\$ 9,094,784</u>	<u>\$ 10,306,000</u>	<u>\$ (8,753,555)</u>	<u>\$ 10,647,229</u>	<u>\$ 224,824</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, 2019 are as follows:

	Balance, October 1, 2018	Additions	Retirements and Other	Balance September 30, 2019	Due Within One Year
GO Bond	<u>\$ 389,400</u>	<u>\$</u>	<u>\$ (29,700)</u>	<u>\$ 359,700</u>	<u>\$ 29,700</u>

The principal and interest requirements of the above revenue bonds and notes payable at September 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 314,824	\$ 280,126	\$ 594,950
2021	325,491	272,322	597,813
2022	336,314	264,124	600,438
2023	342,297	255,641	597,938
2024	353,446	246,992	600,438
2025-2029	1,940,623	1,089,661	3,030,284
2030-2034	1,459,593	855,537	2,315,130
2035-2039	1,582,451	669,570	2,252,021
2040-2044	1,661,612	481,588	2,143,200
2045-2049	1,859,268	283,932	2,143,200
2050-2054	1,561,310	69,239	1,630,549
	<u>\$ 11,737,229</u>	<u>\$ 4,768,732</u>	<u>\$ 16,505,961</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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 2019 were \$279,834 which was equal to the required contributions. The City's contributions to PERS for 2018 and 2017 were \$256,882 and \$243,407 respectively.

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019, the City reported a liability of \$4,573,913 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019. At June 30, 2019, the City's proportion was .026 percent.

For the year ended September 30, 2019, the City recognized pension expense of \$441,589. At September 30, 2019 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	\$ 2,706	\$ (4,923)
Changes in assumptions	44,843	
Net difference between projected and actual earnings on pension plan investments	175,277	(225,318)
Changes in proportion and differences between System contributions and proportionate share of contributions	3,063	
District contributions subsequent to the measurement date	75,397	
Total	<u>\$ 301,286</u>	<u>\$ (230,241)</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	\$ 22,883
2020	(64,773)
2021	13,593
2022	20,882
2023	
Thereafter	
	<u>\$ (7,415)</u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00% - 18.25% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.90 %
International Equity	22.00	4.75
Global	12.00	5.00
Debt Securities	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
	<u>100.00 %</u>	

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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	\$ 6,012,567	\$ 4,573,913	\$ 3,386,433

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, 2019 are not material to the financial statements.

B. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2019 is as follows:

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

CITY OF RIPLEY, MISSISSIPPI
Notes to Basic Financial Statements - Continued
September 30, 2019

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, 2019, 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, 2019, 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	\$ 9,240,352	\$ 24,523,521
Less: Related long-term debt outstanding	<u>(1,465,000)</u>	<u>(11,737,228)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>7,775,352</u>	<u>12,786,293</u>
 Unrestricted	 <u>(2,189,212)</u>	 <u>2,883,551</u>
Total Net Position	<u><u>\$ 5,586,140</u></u>	<u><u>\$ 15,669,844</u></u>

CITY OF RIPLEY, MISSISSIPPI
Schedule of Required Supplementary Information
Schedule of the City of Ripley's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System of Mississippi
Last 10 Fiscal Years

	2019	2018	2017	2016	2015
<u>Public Employees' Retirement System of Mississippi (PERS)</u>					
City of Ripley's Proportion of the Net Pension Liability	0.026299%	0.025042%	0.024078%	0.024777%	0.024733%
City of Ripley's Proportionate Share of the Share of the Net Pension Liability	\$ 4,573,913	\$ 4,158,243	\$ 3,989,614	\$ 4,465,625	\$ 3,864,505
City of Ripley's Covered Payroll	\$ 1,728,337	\$ 1,630,997	\$ 1,545,441	\$ 1,580,163	\$ 1,546,165
City of Ripley's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	264.64%	254.95%	258.15%	282.61%	249.94%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	61.59%	62.54%	61.49%	57.47%	61.70%

Note: Information prior to 2015 is not available. The City of Ripley will continue to present information for years available until a full ten-year trend is presented.

The amount is presented as of the City of Ripley's measurement date which is the prior fiscal year.

NOTES TO SCHEDULE

Changes of Assumptions

2019

1. The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - a. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - b. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - c. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
2. The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - a. For males, 137% of male rates at all ages.
 - b. For females, 115% of female rates at all ages.
 - c. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
3. The price inflation assumption was reduced from 3.00% to 2.75%.
4. The wage inflation assumption was reduced from 3.25% to 3.00%.

CITY OF RIPLEY, MISSISSIPPI
Schedule of Required Supplementary Information
Schedule of the City of Ripley's Proportionate Share of the Net Pension Liability - Continued
Public Employees' Retirement System of Mississippi
Last 10 Fiscal Years

NOTES TO SCHEDULE - Continued

Changes of Assumptions - Continued

2019 - Continued

5. Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
6. The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

1. The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
2. The wage inflation assumption was reduced from 3.75% to 3.25%.
3. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
4. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

1. The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015

1. The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
2. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
3. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
4. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
5. The price inflation and investment rate of return assumptions were changed from 3.5% to 3.00% and 8.00% to 7.75%, respectively.

Changes in Benefit Provisions

2016

1. Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF RIPLEY, MISSISSIPPI
Schedule of Required Supplementary Information
Schedule of the City of Ripley's Contributions
Public Employees' Retirement System of Mississippi
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Public Employees' Retirement System</u> <u>of Mississippi (PERS)</u>					
Contractually Required Contribution	\$ 279,834	\$ 256,882	\$ 243,407	\$ 248,877	\$ 243,521
Contributions in Relation to the Contractually Required Contributions	<u>279,834</u>	<u>256,882</u>	<u>243,407</u>	<u>248,877</u>	<u>243,521</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City of Ripley's Covered Payroll	\$ 1,728,337	\$ 1,630,997	\$ 1,545,441	\$ 1,580,163	\$ 1,546,165
Contributions as a Percentage of Covered Payroll	16.19%	15.75%	15.75%	15.75%	15.75%

Note: Information prior to 2015 is not available. The City of Ripley will continue to present information for years available until a full ten-year trend is presented.

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
General Property Taxes			
Current Ad Valorem	\$ 352,825	\$ 353,088	\$ 263
In Lieu of Taxes/Franchise Tax	65,225	66,735	1,510
Intergovernmental Revenues			
State Shared Revenues:			
Sales Tax	1,421,500	1,454,102	32,602
Tourism Tax	343,150	343,495	345
Fire Protection Refund	29,895	30,940	1,045
State Gasoline Tax	5,360	5,359	(1)
General Municipal Aid	2,700	2,690	(10)
Railcar Tax			
Collection from County:			
Road Tax	94,800	97,538	2,738
Fire Protection Refund	20,000	20,000	
Building Code Rebate	902	902	
Fines and Forfeitures	85,325	84,388	(937)
Privilege Tax	19,325	17,726	(1,599)
Gross Receipts Tax	138,625	131,144	(7,481)
Building Fees, Permits and Inspections	9,000	5,993	(3,007)
Park Revenue	132,500	115,069	(17,431)
Charges for Services:			
Sanitation	328,000	333,027	5,027
Grant Revenue	558,500	500,000	(58,500)
Miscellaneous	172,421	184,001	11,580
Interest	7,500	626	(6,874)
Total Revenues	<u>\$ 3,787,553</u>	<u>\$ 3,746,823</u>	<u>\$ (40,730)</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Current:			
General Government	\$ 217,339	\$ 158,385	\$ 58,954
Public Safety	1,191,479	1,188,518	2,961
Public Works	1,774,230	1,324,960	449,270
Parks and Recreation	750,881	827,201	(76,320)
Total Expenditures	<u>3,933,929</u>	<u>3,499,064</u>	<u>434,865</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(146,376)</u>	 <u>247,759</u>	 <u>394,135</u>
 Other Financing Sources (Uses):			
Transfer In	<u>146,376</u>	<u>195,989</u>	<u>49,613</u>
Total Other Financing Sources	<u>146,376</u>	<u>195,989</u>	<u>49,613</u>
Net Change in Fund Balances	<u>\$</u>	<u>443,748</u>	<u>\$ 443,748</u>
 Fund Balances, October 1		<u>507,587</u>	
 Fund Balances, September 30		<u><u>\$ 951,335</u></u>	

See accompanying notes to required supplementary information.

CITY OF RIPLEY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2019

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, 2019, is as follows:

Fund Balance - Budgetary Basis	\$ 951,335
Adjustment:	
Change in Revenue Accruals	<u>(60,637)</u>
Fund Balance - GAAP Basis	<u><u>\$ 890,698</u></u>

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


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, 2019, which collectively comprise the City of Ripley, Mississippi's basic financial statements and have issued our report thereon dated September 25, 2020. 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 and Associates
Certified Public Accountants

Ripley, Mississippi
September 25, 2020

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Reconciliation of Original Ad-Valorem
Tax Rolls to Fund Collections
Year Ended September 30, 2019

	<u>Assessed Value</u>	<u>Millage</u>	<u>Tax</u>
<u>Assessed Valuation and Millage</u>			
Realty	23,486,312	10.725 Mills	\$ 251,891
Personal	6,736,164	10.725 Mills	72,245
Auto	5,465,579	10.725 Mills	58,591
	<u>35,688,055</u>		<u>382,727</u>
Less: Homestead Exemption Allowed			(38,291)
Exempted Industries			
Total			<u>344,436</u>
<u>Collection Adjustments</u>			
Add: Actual Homestead Reimbursement			31,861
Mobile Home Tax			633
Other Privilege Tax			<u>2,623</u>
<u>Total to be Accounted For</u>			<u>\$ 379,553</u>
	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Collection Credits Allocated to Funds:			
General Fund	\$ 334,992	\$ 31,861	\$ 366,853
Balance Represented by: Unpaid Property Taxes			<u>12,700</u>
<u>Total Accounted For</u>			<u>\$ 379,553</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:

Actual Collections:		Actual Collections:	
Base Year 2018	\$ 332,303	Taxes collected 2019	\$ 334,992
10% Increase	33,230	Homestead Exemption Reimb.	31,861
Exemption	2,047	Under (Over) Limitation	727
Total	<u>\$ 367,580</u>	Total	<u>\$ 367,580</u>

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Investments - All Funds
September 30, 2019

The following is a schedule of investments at September 30, 2019:

Certificates of Deposit

<u>Fund Account Name</u>	<u>Balance</u> <u>9/30/19</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>
Water Meter Fund Account	\$ 10,000	08/24/20	0.55%
Gas Meter Account	25,650	08/24/20	0.55%
Water & Sewer Meter	15,463	12/30/20	0.55%
Gas Meter Account	10,000	12/25/20	0.55%
Gas Depreciation Account	8,000	07/19/21	0.65%
Gas Contingent Account	8,000	07/19/21	0.65%
Gas Cushion Account	37,000	07/19/21	0.65%
Water & Sewer Contingent Account	4,500	07/19/21	0.65%
Water & Sewer Depreciation Account	4,500	07/19/21	0.65%
Water & Sewer Cushion Account	9,000	07/19/21	0.65%
Gas Meter Account	10,000	07/19/21	0.65%
Water Meter Fund Account	10,000	07/19/21	0.65%
Gas Meter Account	10,000	12/20/20	0.65%
Water & Sewer Cushion Account	3,000	11/09/20	0.55%
Water & Sewer Depreciation Account	1,500	11/09/20	0.55%
Water & Sewer Contingent Account	1,500	11/09/20	0.55%
Gas Operations	120,410	01/13/21	0.55%
Gas Operations	123,984	02/15/21	0.40%
Gas Meter	40,000	02/15/21	0.65%
Water Meter Fund Account	20,000	02/15/21	0.65%
Water & Sewer Cushion	8,000	02/15/21	0.65%
Water & Sewer Depreciation	2,500	02/15/21	0.65%
Water & Sewer Contingent	2,500	02/15/21	0.65%
Gas Operations	116,229	09/02/20	0.40%
Gas Contingent Account	2,000	08/10/20	0.40%
Gas Cushion Account	13,000	08/10/20	0.40%
Gas Depreciation Account	2,000	08/10/20	0.40%
Murry Spur Water System	10,800	08/23/20	0.65%
Water & Sewer Depreciation Account	2,905	11/14/20	0.65%
Water & Sewer Contingent Account	2,905	11/14/20	0.65%
Water & Sewer Cushion Account	5,811	11/14/20	0.65%
Gas Meter	30,500	08/06/20	0.55%
Antioch Reserve	11,875	08/25/20	0.65%
Total	<u>\$ 683,532</u>		

CITY OF RIPLEY, MISSISSIPPI
Supplementary Information
Schedule of Surety Bonds for Municipal Officials
and Other Municipal Employees
September 30, 2019

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	7-03-2020
Homer Richardson	50,000	7-03-2020
Jon Grisham	50,000	7-03-2020
Stephen Freeman	50,000	7-03-2020
Jackie McKenzie	50,000	7-03-2020
City Clerk and Tax Collector		
Lisa Mauney	50,000	1-29-2020
Court Clerk		
Kathi Watson	50,000	7-07-2020
Police Chief		
Scott White	50,000	7-07-2020

CITY OF RIPLEY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Catalog of Fed. Domestic Assistance Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Department of Transportation - FAA</u>			
Airport Improvement Program	20.106	AIP#3-28-0066-011-2018	\$ 187,508
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed-through Mississippi Development Authority</i>			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.218	1135-18-318-PF-01	5,000
<u>U.S. Department of Agriculture</u>			
Rural Development			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>11,156,524</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,349,032</u></u>

CITY OF RIPLEY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Ripley, Mississippi under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Ripley, Mississippi, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Ripley, Mississippi.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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, 2019, 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 September 25, 2020.

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.

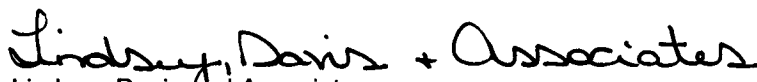
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.


Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
September 25, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Ripley, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ripley, Mississippi's major federal programs for the year ended September 30, 2019. The City of Ripley, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ripley, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ripley, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ripley, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ripley, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.


Report on Internal Control Over Compliance

Management of the City of Ripley, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ripley, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ripley, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Lindsey, Davis and Associates
Certified Public Accountants

Ripley, Mississippi
September 25, 2020

CITY OF RIPLEY, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	No

Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

SCHEDULE B - FINANCIAL STATEMENT FINDINGS

No matters were reported

SCHEDULE C - FINDINGS AND QUESTIONED COSTS

No matters were reported