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**CITY OF RICHLAND**  
**AUDITED FINANCIAL STATEMENTS**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2017**

# CITY OF RICHLAND

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**CITY OF RICHLAND**

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## **INDEPENDENT AUDITORS' REPORT**

# *Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
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Jessica Lea Minter, CPA, PFS

MEMBERS  
American Institute of  
Certified Public Accountants  
Mississippi Society of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor and  
Board of Aldermen  
City of Richland  
Richland, Mississippi**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of September 30, 2017 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, the City's proportionate share of the net pension liability and the City's contribution information on pages i through ix and 36 - 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

**The Honorable Mayor and  
Board of Aldermen  
City of Richland  
Page 3**

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 Richland, Mississippi's basic financial statements. The schedules of changes in long-term debt and surety bonds for municipal officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the 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 March 1, 2018, on our consideration of the City of Richland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richland's internal control over financial reporting and compliance.

*Lyle Walker & Co., P.A.*

**Ridgeland, Mississippi  
March 1, 2018**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

PAT SULLIVAN  
MAYOR  
601-932-1256

**ALDERMEN**

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STREET DIVISION  
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WATER/SEWER DIVISION  
601-939-5234

***City of Richland, Mississippi  
Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2017***

This Discussion and Analysis of the City of Richland, Mississippi, financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

**Financial Highlights**

The City of Richland's assets exceeded its liabilities by \$18,129,065 (net position) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$21,684,851 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net position of \$1,552,171 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws or regulations.
- (3) Unrestricted net position of \$(5,107,957) represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds on a budgetary basis reported total ending fund balances of \$3,742,654 this year. This compares to the prior year ending fund balance of \$3,928,302 showing a decrease of \$185,648 during the year.

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RICHLAND, MS 39218  
601-939-1936  
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410 EAST HARPER STREET  
RICHLAND, MS 39218  
601-420-3400  
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PARKS & RECREATION  
371 SCARBROUGH STREET  
RICHLAND, MS 39218  
601-487-9989  
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POLICE DEPARTMENT  
911 TOWN SQUARE  
RICHLAND, MS 39218  
601-932-3100  
FAX 601-936-4614

At the end of the current fiscal year, fund balance on a budgetary basis for the General Fund was \$2,190,483 or 20% of total General Fund expenditures including transfers and 21% of total General Fund revenues including transfers.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statement. The basic financial statements include: 1) government-wide financial statements; 2) fund financial statement; and 3) notes to the basic financial statement. The report also contains other required supplementary information in addition 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 of Richland's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Richland'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 of Richland is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Richland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Richland include general government, public safety, public services, culture and recreation. The business-type activities include water and sewer utilities and solid waste management.

The government-wide financial statements include the funds of the City (primary government) and organizations for which the City is accountable (component units).

## *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 of Richland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Richland can be divided into two categories: governmental funds and proprietary 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. Such information may be useful in evaluating a government's near-term financing requirements. Governmental funds include the general fund.

Because the focus of governmental funds is narrower 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. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the "Balance Sheet-Governmental Funds" "Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Richland maintains individual governmental funds in accordance with the *Municipal Audit and Accounting Guide* issued by the Mississippi Office of the State Auditor. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 6 - 9 of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City of Richland charges customers a fee. The City uses an enterprise fund to account for the Water and Sewer Department. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary funds financial statements can be found on pages 10 - 14 of this report.

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

The notes to the financial statements can be found on pages 15 - 35 of this report.

### **Government-wide Financial Analysis**

*Net Position:* Net position may serve over time as a useful indicator of the government's financial position. The City of Richland's net position at fiscal year-end is \$18,129,065. The following table provides a summary of the City's net assets for the fiscal year ended September 30, 2017:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,588,169	\$ 5,283,234	\$ 13,871,403
Capital assets	15,990,546	10,471,626	26,462,172
Deferred Outflows related to Pension	1,299,931	105,400	1,405,331
Total assets	<u>25,878,646</u>	<u>15,860,260</u>	<u>41,738,906</u>
Long-term liabilities	15,181,813	1,829,612	17,011,425
Other liabilities	5,844,911	463,541	6,308,452
Total liabilities	<u>21,026,724</u>	<u>2,293,153</u>	<u>23,319,877</u>
Deferred inflows related to pension	<u>268,317</u>	<u>21,747</u>	<u>289,964</u>
Net Position:			
Invested in capital assets net of related debt	12,108,094	9,576,757	21,684,851
Debt restricted for debt service	1,552,171	-	1,552,171
Unrestricted	<u>(9,076,560)</u>	<u>3,968,603</u>	<u>(5,107,957)</u>
Total net position	<u>\$ 4,583,705</u>	<u>\$ 13,545,360</u>	<u>\$ 18,129,065</u>

The following table provides a summary of the City's changes in net position:

Summary of Changes in Net position

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charge for service	\$ -	\$ 2,732,459	\$ 2,732,459
General revenues			
Advalorem taxes	3,162,104	-	3,162,104
Sales tax	6,053,352	-	6,053,352
Licenses and permits	123,158	-	123,158
Intergovernmental revenues	77,494	-	77,494
Garbage fees	262,980	-	262,980
Fines and forfeits	400,335	-	400,335
Franchise tax	241,316	-	241,316
Interest	60,968	7,619	68,587
Grand Gulf	123,063	-	123,063
Drug Seizure	211,709	-	211,709
Miscellaneous	433,588	-	433,588
Assessments	201,366	-	201,366
Transfers	60,000	(60,000)	-
Total Revenues	<u>11,411,433</u>	<u>2,680,078</u>	<u>14,091,511</u>
Expenses			
General Government	795,017	-	795,017
Police Department	3,086,654	-	3,086,654
Court Services	506,764	-	506,764
EOC Department	2,592	-	2,592
Fire Department	2,303,707	-	2,303,707
Street Department	1,660,146	-	1,660,146
Planning & Development	254,339	-	254,339
Sanitation Department	316,360	-	316,360
Parks & Recreation	636,829	-	636,829
Library	22,937	-	22,937
Urban Programs	76,391	-	76,391
Community & Senior Services	335,181	-	335,181
Depreciation & Transfer	1,454,212	-	1,454,212
Net Interest	54,923	-	54,923
Pension Expense	652,427	-	652,427
Water & Sewer	-	2,482,837	2,482,837
Total Expenses	<u>12,158,479</u>	<u>2,482,837</u>	<u>14,641,316</u>
Change in net position	(747,046)	197,241	(549,805)
Beginning net position	5,330,751	13,348,119	18,678,870
Ending net position	<u>\$ 4,583,705</u>	<u>\$ 13,545,360</u>	<u>\$ 18,129,065</u>

## **Financial Analysis of the City's Funds**

*Governmental funds:* The focus of the City of Richland's governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources.

This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,742,654. Of this year-end total \$881,892 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include \$1,552,171 committed to debt service.

The total ending fund balances of governmental funds show a decrease of \$185,648 under the prior year.

The general fund is the chief operating fund of the City of Richland. The fund balance of the City's general fund decreased by \$363,176 during the fiscal year ended September 30, 2017.

The debt service fund has a total fund balance of \$379,839, all of which is reserved for the payment of debt service.

*Proprietary funds:* At the close of the fiscal year, the City of Richland's proprietary fund reported total net position of \$13,545,360. Operating revenues totaled \$2,732,459 and operating expenses totaled \$2,466,552 resulting in operating income of \$265,907. After non-operating expenses of \$8,666 and a \$60,000 transfer to the general fund, the change in net assets in the proprietary fund was an increase of \$197,241.

## **General Fund Budgetary Highlights**

The General Fund budget for fiscal year ended September 30, 2017 was \$16,480,854.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

The difference between the original budget and the final amended budget was a net increase of \$235,831. This increase can be briefly summarized as follows:

\$27,831 for a decrease in General Fund Balance  
\$27,831 for an increase in Parks & Rec Capital Outlay  
\$1,250 for a decrease in Debt Retirement Fund Balance  
\$1,250 for an increase in Debt Retirement Fund Paying Agent Fees  
\$208,000 for an increase in General Fund Balance Property Tax  
\$10,000 for an increase in Administration Capital Outlay  
\$100,000 for an increase in Police Department Salaries  
\$10,000 for an increase in Police Department Consumable Supplies  
\$10,000 for an increase in Police Department Contractual/Services

\$10,000 for an increase in Court Salaries  
\$26,000 for an increase in EOC Capital Outlay  
\$100,000 for an increase in Fire Department Salaries  
\$100,000 for a decrease in Fire Department Capital Outlay  
\$3,000 for an increase in Planning & Development Salaries  
\$24,000 for an increase in Sanitation Garbage Service Fee  
\$15,000 for an increase in Urban Programs Contractual/Services

### **Capital Assets and Debt Administration**

*Capital Assets:* The City of Richland's investment in capital assets for the governmental and business-type activities as of September 30, 2017, was \$29,864,006 and \$22,477,892 respectively, resulting in the total capital assets of \$52,341,898. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2017, was \$25,879,726 (\$13,873,460 for government-type activities and \$12,006,266 for business-type activities). The balance in total net capital assets was \$26,462,172.

*Debt Administration:* At September 30, 2017, the City of Richland had \$4,777,321 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, capital improvement revolving loans and loans/leases.

A 2% Community Development Tax levied by Mississippi Legislature House Bill 1717 on April 16, 1998, generated 192% of the funds required for the debt service of the Mississippi Development Bank Special Obligation Bonds.

Enterprise Fund revenue provided funding of the Capital Improvements Revolving Loan and Notes/Leases for \$75,951 this fiscal year reported.

The City of Richland maintains an "A-" bond rating from Standard & Poor's. The State of Mississippi limits the amount of debt a city can issue to 15% of the assessed value of the taxable property within the City. The City's outstanding debt is significantly below its current limit of 17 million dollars.

Additional information on the City's long-term debt can be found on page 25 and page 26 of this report.



## **Economic Factors and Next Year's Budget and Rates**

When creating the budget, the City of Richland leadership's primary objective was to provide quality city services while at the same time attempting to keep property tax rates low. We expect an increase in sales taxes revenue due to our healthy economy.

The City of Richland is a distribution center for the southeastern United States. Our economic base is dependent on retail sales and industrial development. The City, however, is not dependent on a particular business to maintain its tax base. It has been able to see a growing tax base and to experience a stable economy from business development and employment growth.

The City of Richland has the following projects underway that will be of benefit to the municipality:

1. *Beautification and Litter Control:* We will continue to use prison labor for the pickup of litter and trash in our city on the major byways. We will begin additional beautification measures throughout the city and amend/add ordinances that will enhance our city and its environment.
2. *Library Expansion and Upkeep:* We are aware that there is a definite need for more space due to the thriving children's programs. We will look at different options to help alleviate this problem. Plans are to put a new roof on the existing building to alleviate any issues due to heavy rains.
3. *Police Department:* We consider it our duty to protect our citizens. We plan to fully fund a three-man flex unit that will be tasked with highway interdiction and flexible local enforcement on all levels. We are ever-increasing our focus on school safety and enhanced community relationships.
4. *Parks and Recreation:* Our plans are to purchase and install new state-of-the-art playground equipment at Eastside and Westside Parks, begin retrofitting sports lighting at our soccer and softball fields, and updating the batting cages to enhance the appearance of our parks as well as enhance the quality of life of our citizens while saving money.
5. *Senior Citizens:* Richland's Senior Adult Department organizes a variety of year-round opportunities for active senior adults ages 55 and over. We provide a safe, enjoyable program to enhance their quality of life and improve their overall health and well-being.
6. *Water and Sewer Department:* The Water Department will soon begin installing new water lines, a new water tower, and drilling a new water well to provide better services to our citizens. We are rehabbing sewer lines and lift stations to stop infiltration which will provide lower costs to our citizens.

7. *Highway 49 Expansion:* The City will be working with the Mississippi Department of Transportation to develop the Highway 49 expansion through the City for the next three years.
8. *Streets Department:* The City is working to clean out ditches and replace culverts to aid in drainage. We will also install a new stop light to provide better traffic flow and safety at the intersection of Riverview Drive and Old Highway 49.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Richland's finances and to demonstrate the City's commitment to public accountability for the funds it receives. If you have any questions about this report or would like to request additional information, please contact the City of Richland, City Clerk's Office, P. O. Box 180609, Richland, Mississippi 39218-0609.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF RICHLAND**

**STATEMENT OF NET POSITION  
YEAR ENDED SEPTEMBER 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,857,501	\$ 4,486,294	\$ 9,343,795
Receivables (net of uncollectible amounts)	3,350,829	553,293	3,904,122
Restricted cash and cash equivalents	379,839	243,647	623,486
Capital assets:			
Land and buildings	13,860,287	7,315	13,867,602
Improvements	8,244,783	21,106,614	29,351,397
Machinery and equipment	7,758,936	1,363,963	9,122,899
Accumulated depreciation	(13,873,460)	(12,006,266)	(25,879,726)
Total assets	<u>24,578,715</u>	<u>15,754,860</u>	<u>40,333,575</u>
Deferred outflows related to pension	<u>1,299,931</u>	<u>105,400</u>	<u>1,405,331</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	358,597	128,674	487,271
Uncleared drug seizure	1,060,174	-	1,060,174
Customer deposits	-	242,635	242,635
Accrued salaries	60,208	4,296	64,504
Accrued vacation pay	299,464	26,921	326,385
Deferred revenue	3,084,814	-	3,084,814
Noncurrent liabilities:			
Due within one year	981,654	61,015	1,042,669
Due within more than one year	2,900,798	833,854	3,734,652
Net pension liability	12,281,015	995,758	13,276,773
Total liabilities	<u>21,026,724</u>	<u>2,293,153</u>	<u>23,319,877</u>
Deferred inflows related to pension	<u>268,217</u>	<u>21,747</u>	<u>289,964</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets net of debt	12,108,094	9,576,757	21,684,851
Restricted for debt service	1,552,171	-	1,552,171
Unrestricted	<u>(9,076,560)</u>	<u>3,968,603</u>	<u>(5,107,957)</u>
Total net position	\$ <u>4,583,705</u>	\$ <u>13,545,360</u>	\$ <u>18,129,065</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017**

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue
		Charges for Services	Grants and contributions		
			Operating	Capital	
Governmental activities:					
General government	\$ 795,017	\$ -	\$ -	\$ -	\$ (795,017)
Police Department	3,086,654	-	-	-	(3,086,654)
Court Services	506,764	-	-	-	(506,764)
EOC Department	2,592	-	-	-	(2,592)
Fire Department	2,303,707	-	-	-	(2,303,707)
Street Department	1,660,146	-	-	-	(1,660,146)
Planning and Development	254,339	-	-	-	(254,339)
Sanitation Department	316,360	-	-	-	(316,360)
Parks and Recreation	636,829	-	-	-	(636,829)
Library	22,937	-	-	-	(22,937)
Urban Programs	76,391	-	-	-	(76,391)
Community and Senior Ser	335,181	-	-	-	(335,181)
Depreciation and transfer	1,454,212	-	-	-	(1,454,212)
Other interest	54,923	-	-	-	(54,923)
Pension expense	652,427	-	-	-	(652,427)
Total governmental activities	12,158,479	-	-	-	(12,158,479)
Business-type activities:					
Water and sewer	2,482,837	2,732,459	-	-	249,622
Total primary government	\$ 14,641,316	\$ 2,732,459	\$ -	\$ -	\$ (11,908,857)

Continued

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Change in Net Position:</b>			
Net (expense) revenue	\$ (12,158,479)	\$ 249,622	\$ (11,908,857)
<b>GENERAL REVENUES</b>			
Advalorem taxes	3,162,104	-	3,162,104
Sales tax	6,053,352	-	6,053,352
Licenses and permits	123,158	-	123,158
Intergovernmental revenues	77,494	-	77,494
Garbage fees	262,980	-	262,980
Fines and forfeits	400,335	-	400,335
Franchise tax	241,316	-	241,316
Interest	60,968	7,619	68,587
Grand Gulf	123,063	-	123,063
Drug Seizure	211,709	-	211,709
Miscellaneous	433,588	-	433,588
Assessments	201,366	-	201,366
<b>Total revenue</b>	<b>11,351,433</b>	<b>7,619</b>	<b>11,359,052</b>
<b>TRANSFERS:</b>			
Operating in	60,000	-	60,000
Operating out	-	(60,000)	(60,000)
<b>Total general revenues and transfers</b>	<b>11,411,433</b>	<b>(52,381)</b>	<b>11,359,052</b>
<b>Change in net position</b>	<b>(747,046)</b>	<b>197,241</b>	<b>(549,805)</b>
<b>Net position - beginning</b>	<b>5,330,751</b>	<b>13,348,119</b>	<b>18,678,870</b>
<b>Net position - ending</b>	<b>\$ 4,583,705</b>	<b>\$ 13,545,360</b>	<b>\$ 18,129,065</b>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
<b>Cash</b>				
Cash on hand	\$ 6,500	\$ -	\$ -	\$ 6,500
Cash on deposit	3,712,564	379,839	1,138,437	5,230,840
	<u>3,719,064</u>	<u>379,839</u>	<u>1,138,437</u>	<u>5,237,340</u>
<b>Receivables</b>				
Other	-	621,253	-	621,253
<b>Due from other governments</b>	<u>497,918</u>	<u>-</u>	<u>33,895</u>	<u>531,813</u>
<b>Total assets</b>	<u>\$ 4,216,982</u>	<u>\$ 1,001,092</u>	<u>\$ 1,172,332</u>	<u>\$ 6,390,406</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,418,771	\$ -	\$ -	\$ 1,418,771
Accrued salaries	60,208	-	-	60,208
Accrued vacation pay	281,722	-	-	281,722
Deferred revenue	265,798	621,253	-	887,051
Total liabilities	<u>2,026,499</u>	<u>621,253</u>	<u>-</u>	<u>2,647,752</u>
<b>Fund Balances</b>				
Restricted for debt service	-	379,839	1,172,332	1,552,171
Other restricted funds	233,368	-	-	233,368
Nonspendable for drug seizure	30,622	-	-	30,622
Committed for general fund	1,044,601	-	-	1,044,601
Unassigned	881,892	-	-	881,892
Total fund balances	<u>2,190,483</u>	<u>379,839</u>	<u>1,172,332</u>	<u>3,742,654</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,216,982</u>	<u>\$ 1,001,092</u>	<u>\$ 1,172,332</u>	<u>\$ 6,390,406</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE GOVERNMENT - WIDE STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2017**

<b>Total fund balance - total governmental funds</b>	<b>\$</b>	<b>3,742,654</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
<b>Capital assets of \$29,864,006, net of accumulated depreciation of \$13,873,460, are not financial resources and, therefore are not reported in the funds</b>		<b>15,990,546</b>
<b>Pension Obligations:</b>		
<b>Pension obligations are note due and payable in the current period and, therefore, are not reported in the funds.</b>		
<b>Net pension liability</b>	<b>\$</b>	<b>(12,281,015)</b>
<b>Deferred outflows and inflows of resources related to pensions obligations are applicable to future periods and, therefore, are not reported in the funds.</b>		
<b>Deferred outflows related to pension</b>	<b>1,299,931</b>	
<b>Deferred inflows related to pension</b>	<b>(268,217)</b>	<b>(11,249,301)</b>
<b>GAAP to Budgetary conversion</b>		<b>(17,742)</b>
<b>Notes and bonds payable are not included in the funds</b>		<b>(3,882,452)</b>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>4,583,705</u></b>

**See accompanying notes to the financial statements.**



**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>				
Advalorem taxes	\$ 3,162,104	\$ -	\$ -	\$ 3,162,104
Sales tax	5,640,634	-	412,718	6,053,352
Licenses and permits	123,158	-	-	123,158
Inter-governmental revenues	77,494	-	-	77,494
Garbage fees	262,980	-	-	262,980
Fines and forfeits	400,335	-	-	400,335
Franchise tax	241,316	-	-	241,316
Interest	7,601	51,544	1,823	60,968
Grand Gulf	123,063	-	-	123,063
Drug seizure	211,709	-	-	211,709
Miscellaneous	433,590	201,366	-	634,956
<b>Total revenue</b>	<b>10,683,984</b>	<b>252,910</b>	<b>414,541</b>	<b>11,351,435</b>
<b><u>EXPENDITURES</u></b>				
General Government	1,042,703	-	-	1,042,703
Police Department	3,512,281	-	-	3,512,281
Court Services	507,675	-	-	507,675
EOC Department	2,592	-	-	2,592
Fire Department	2,548,371	-	-	2,548,371
Public Works	1,799,940	-	-	1,799,940
Planning and development	256,995	-	-	256,995
Sanitation Department	316,360	-	-	316,360
Parks and Recreation	698,294	-	-	698,294
Library	22,937	-	-	22,937
Urban Programs	76,391	-	-	76,391
Community and Senior Srv	322,621	-	-	322,621
Debt service - Principal	-	220,000	215,000	435,000
Debt service - Interest	-	26,210	25,408	51,618
Other	-	2,305	1,000	3,305
<b>Total expenditures</b>	<b>11,107,160</b>	<b>248,515</b>	<b>241,408</b>	<b>11,597,083</b>
<b>Excess of revenues/expenditures</b>	<b>(423,176)</b>	<b>4,395</b>	<b>173,133</b>	<b>(245,648)</b>
Operating transfers out	-	-	-	-
Operating transfers in	60,000	-	-	60,000
<b>Net change in Fund Balance</b>	<b>(363,176)</b>	<b>4,395</b>	<b>173,133</b>	<b>(185,648)</b>
<b>Fund balance - Beginning</b>	<b>2,553,659</b>	<b>375,444</b>	<b>999,199</b>	<b>3,928,302</b>
<b>Fund balance - Ending</b>	<b>\$ 2,190,483</b>	<b>\$ 379,839</b>	<b>\$ 1,172,332</b>	<b>\$ 3,742,654</b>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**SEPTEMBER 30, 2017**

**Net change in fund balances - total government funds** **\$ (185,648)**

**Amounts reported for governmental activities in the statement  
of activities are different because:**

**Revenue and expenses reported in the statement of activities do not  
require the use of current resources and, therefore, are not reported  
as revenue and expenditures in governmental funds.** **(17,742)**

**Governmental funds report capital outlays as expenditures. However,  
in the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense. This  
is the amount by which capital outlay exceeded depreciation expense for the  
period.** **(685,662)**

**The net effect of various miscellaneous transactions involving capital  
asset (i.e., sales, trade-ins) is the following amount.** **(438)**

**The issuance of long-term debt provides current financial resources  
to governmental funds, while the repayment of the long-term debt  
consumes the current financial resources of governmental funds. This  
amount is the net effect of these differences.** **794,871**

**Items reported in the Statement of Activities relating to the  
implementation of GASB 68 are not reported in the governmental  
funds. These activities include:**

<b>Recognition of pension expense for the current year</b>	<b>\$ (876,319)</b>	
<b>Contributions made after the measurement date</b>	<b>223,892</b>	
		<b>(652,427)</b>

**Change in net position of governmental activities** **\$ (747,046)**

**See accompanying notes to the financial statements.**

**CITY OF RICHLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2017**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,486,294
Accounts receivable (net of uncollectible allowance)	553,293
Total current assets	<u>5,039,587</u>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents:	
Customer deposits	<u>243,647</u>
Total restricted assets	<u>243,647</u>
<b>Capital assets:</b>	
Land	7,315
Improvements	21,106,614
Machinery and equipment	1,363,963
Accumulated depreciation	<u>(12,006,266)</u>
Total capital assets	<u>10,471,626</u>
Total noncurrent assets	<u>10,715,273</u>
Total assets	<u>15,754,860</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	<u>105,400</u>
Total deferred outflows of resources	<u>105,400</u>

See accompanying notes to the financial statements.

**Business-type  
Activities -  
Enterprise Funds  
Water & Sewer**

**LIABILITIES**

**Current liabilities:**

Accounts payable	\$ 128,674
Customer deposits	242,635
Accrued salaries	4,296
Accrued vacation pay	26,921
Current portion of long term debt	61,015
Total current liabilities	<u>463,541</u>

**Noncurrent liabilities:**

Notes payable	833,854
Net pension liability	995,758
Total noncurrent liabilities	<u>1,829,612</u>

Total liabilities	<u>2,293,153</u>
-------------------	------------------

**Deferred inflows of resources**

Deferred inflows related to pensions	21,747
Total deferred inflows of resources	<u>21,747</u>

**NET POSITION**

Invested in capital assets, net of related debt	9,576,757
Unrestricted	<u>3,968,603</u>
Total net position	<u>\$ 13,545,360</u>

**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

	<b><u>Business-type Activities - Enterprise Funds Water &amp; Sewer</u></b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,565,642
Service charges and other	910,886
MDOT Hwy 49 project	255,931
Total operating revenue	<u>2,732,459</u>
<b>OPERATING EXPENSES</b>	
Personnel services	498,107
Supplies and materials	196,096
Sewer treatment	483,648
Depreciation	627,421
MDOT Hwy 49 project	264,154
Pension expense	52,899
Other	344,227
Total operating expenses	<u>2,466,552</u>
Operating income	<u>265,907</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	7,619
Interest expense	(16,285)
Total nonoperating expense	<u>(8,666)</u>
<b>NET INCOME</b>	257,241
Transfer to general fund	<u>(60,000)</u>
<b>NET INCOME AFTER TRANSFERS</b>	197,241
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>13,348,119</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,545,360</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers and grants	\$ 3,229,326
Cash payments for goods and services	(1,348,578)
Cash payments to employees	(497,720)
Net cash provided by operating activities	<u>1,383,028</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Appropriations to restricted cash	(8,564)
Purchase of equipment from unrestricted cash	(749,543)
Payments on long term debt	(75,951)
Proceeds from long term debt	56,599
Deferred inflows	21,747
Deferred outflows	34,613
Transfer to general fund	(60,000)
Net cash used in capital and related financing activities	<u>(781,099)</u>
 <b>NET INCREASE IN CASH</b>	 601,929
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>3,884,365</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 \$ <u><u>4,486,294</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	\$ <u><u>16,285</u></u>

- Continued -

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2017**

**PAGE TWO**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>Net income</b>	<b>\$ 257,241</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
<b>Depreciation</b>	<b>627,421</b>
<b>Changes in:</b>	
<b>Receivables</b>	<b>489,248</b>
<b>Payables and accrued liabilities</b>	<b>12,579</b>
<b>Decrease in net pension liability</b>	<b>(3,461)</b>
	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 1,383,028</b>
	<hr/> <hr/>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The City of Richland was incorporated November 3, 1975. The City operates under an Alderman-Mayor form of government and provides all of the rights and privileges provided by statute for municipalities. On September 18, 1986, the Board of Alderman of the City of Richland approved the merger and dissolution of the Richland Water and Sewer District of Rankin County, Mississippi into the City of Richland to be effective October 1, 1986. Services provided by the City include: public safety - police and fire, street, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. A public school system is available to residents of the City of Richland but is not under the jurisdictions of the City government.

*Blended component unit.* The Water and Sewer Fund serves all the residents and is governed by the board of Aldermen of the City. The rates for users charges and bond issuance authorizations are approved by the aldermen and the legal liability for the bond and lease obligations of the Funds debt remains with the government. The water and sewer fund is reported as an enterprise fund. The City has no discretely presented component units.

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The effect of interfund activity, within the governmental and business type activities, has been removed from these statements. The primary government is presented separately within the financial statements with the focus on the primary government. These statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.



## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### **FUND FINANCIAL STATEMENTS**

The city reports the following major governmental fund:

##### **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### **Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt not being financed by proprietary funds.

The City reports the following as non-major funds:

##### **Capital Projects Fund**

The Capital Projects Fund accounts for the proceeds from bond issues and other revenues to be used for the authorized construction of fixed assets. This fund is currently being used to account for expenditures for street improvements.

##### **Community Development Fund**

The Community Development Fund accounts for the proceeds collected in accordance with the Mississippi Legislature House Bill No. 1717 which authorizes the collection of 2% tax on sales of bars and restaurants. The expenditures are for payment of debt.

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**The City reports the following as an enterprise fund:**

##### **Water and Sewer Fund**

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

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

***Government-wide statements* report using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.**

## CITY OF RICHLAND

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Governmental fund financial statements* are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Fines, penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Franchise taxes, sales taxes, intergovernmental revenue, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Gross sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

*Proprietary fund financial statements* report operating income as revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

#### ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

##### Cash

The City deposits funds in financial institutions selected by the board of aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in the amount equal to 105% of the uninsured deposit.

##### Receivables

##### *Enterprise receivables*

Enterprise fund receivables include amounts due from customers primarily for water and sewer services. There is an allowance for uncollectible accounts in the amount of \$70,333 for the year end September 30, 2017.

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Property taxes receivable***

Taxes are levied annually on December 1 and are due for payment without penalty and interest by February 1. Major tax payments are received January through April. Taxes receivable represent delinquent taxes that are received within thirty days. Over time substantially all property taxes are collected.

***Sales tax receivable***

Sales tax receivable represents taxes that are received within thirty days from the Mississippi Department of Revenue.

**Restricted Assets**

Restricted assets are monies or other resources which are restricted by legal or contractual requirements. These amounts represent appropriations for debt retirement and capital expenditures and monies received as utility deposits.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20

**CITY OF RICHLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

<u>Assets</u>	<u>Years</u>
Vehicles	5
Office equipment	5
Computer equipment	5

**Estimates**

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

**Property Taxes**

Restrictions associated with property tax levies are established by state law which provides that the state levy for general purposes shall produce no more than 110% of the amount which results from those levies, assessments of the previous year. The City of Richland was in compliance with state law.

**Contributions in Aid of Construction**

Proceeds from grants from governmental agencies, assessments to customers and interlocal agreements are not reflected as revenues but rather are recorded as a contribution of assets.

**Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when earned in the government-wide & proprietary statements. Vacations can be accumulated up to 240 hours.

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Long-term Debt**

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 assets. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

##### **Fund Equity**

Beginning with the year ended September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

1. **Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. **Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. **Committed** – amounts that can be used only for specific purposes determined by the City itself, using its highest level of decision-making City (i.e. the Board of Aldermen.) Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Aldermen.
4. **Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the Board of Aldermen or by an official body to which the Board delegates the City.
5. **Unassigned** – all other spendable amounts.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Restricted funds are used first as appropriate. Assigned Funds and committed funds are reduced to the extent that expenditure City has been budgeted. Decreases to fund balance then reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **BUDGET BASIS OF ACCOUNTING**

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund to provide a meaningful comparison of actual results with the budget.

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) The department heads submit proposed expenditure budgets to the Mayor.
- 2) The Mayor prepares estimates of available revenue.
- 3) Expenditure budgets are reviewed by the Mayor, the Board of Aldermen and the City Clerk and necessary revisions are communicated to department heads.
- 4) Budgeted revenues and expenditures are balanced and a summary budget is prepared.
- 5) The Mayor and Board of Aldermen approve the final budget and it is published in a local newspaper before September 30.

Mississippi law requires that municipalities budget on a modified-cash-basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle.

**CITY OF RICHLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Capital Assets 9-30-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets 9-30-17</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,391,628	\$ -	\$ -	\$ 1,391,628
<b>Other capital assets</b>				
General	2,076,267	243,215	3,282	2,316,200
Police protection	7,338,505	266,144	-	7,604,649
Fire protection	4,236,088	52,769	4,377	4,284,480
Public Works	8,950,833	58,630	5,230	9,004,233
Planning	106,902	2,400	8,639	100,663
Emergency Operations Center	208,081	-	-	208,081
Parks	4,426,151	52,503	40,023	4,438,631
Library	515,441	-	-	515,441
<b>Total other capital assets</b>	<u>27,858,268</u>	<u>675,661</u>	<u>61,551</u>	<u>28,472,378</u>
<b>Total other capital assets at historical cost</b>	<u>29,249,896</u>	<u>675,661</u>	<u>61,551</u>	<u>29,864,006</u>
<b>Less accumulated depreciation for:</b>				
General	(906,857)	(64,280)	3,282	(967,855)
Police protection	(1,994,333)	(391,722)	-	(2,386,055)
Fire protection	(1,777,495)	(255,575)	4,247	(2,028,823)
Public Works	(5,076,998)	(479,479)	4,922	(5,551,555)
Planning	(91,507)	(10,000)	8,639	(92,868)
Emergency Operations Center	(188,405)	(6,956)	-	(195,361)
Parks	(2,288,537)	(140,993)	40,023	(2,389,507)
Library	(249,118)	(12,318)	-	(261,436)
<b>Total accumulated depreciation</b>	<u>(12,573,250)</u>	<u>(1,361,323)</u>	<u>61,113</u>	<u>(13,873,460)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 16,676,646</u>	<u>\$ (685,662)</u>	<u>\$ 438</u>	<u>\$ 15,990,546</u>



# CITY OF RICHLAND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - CAPITAL ASSETS (CONTINUED)

	<u>Capital Assets 9-30-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets 9-30-17</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Capital assets not being depreciated:</b>				
<b>Land</b>	\$ <u>7,315</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,315</u>
<b>Other capital assets</b>				
<b>Improvements</b>	20,438,136	668,478	-	21,106,614
<b>Machinery and equipment</b>	<u>1,320,666</u>	<u>81,067</u>	<u>37,770</u>	<u>1,363,963</u>
<b>Total other capital assets at historical cost</b>	<u>21,758,802</u>	<u>749,545</u>	<u>37,770</u>	<u>22,470,577</u>
<b>Less accumulated depreciation for:</b>				
<b>Improvements</b>	(10,571,121)	(522,507)	-	(11,093,628)
<b>Machinery and equipment</b>	<u>(845,494)</u>	<u>(104,914)</u>	<u>37,770</u>	<u>(912,638)</u>
<b>Total accumulated depreciation</b>	<u>(11,416,615)</u>	<u>(627,421)</u>	<u>37,770</u>	<u>(12,006,266)</u>
<b>Business-Type activities capital assets, net</b>	\$ <u><u>10,349,502</u></u>	\$ <u><u>122,124</u></u>	\$ <u><u>-</u></u>	\$ <u><u>10,471,626</u></u>

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

<b>Governmental activities</b>	
General	\$ 64,280
Police protection	391,722
Fire protection	255,575
Public Works	479,479
Planning	10,000
Emergency Operations Center	6,956
Parks	140,993
Library	<u>12,318</u>
	\$ <u><u>1,361,323</u></u>
<b>Business- type activities</b>	
Improvements	\$ 522,507
Machinery and equipment	<u>104,914</u>
	\$ <u><u>627,421</u></u>

**CITY OF RICHLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT**

Bonds and notes payable at September 30, 2017, are comprised of:

**GOVERNMENTAL ACTIVITIES**

**BONDS:**

**General Obligation bonds:**

\$2,025,000 series 2008 General Obligation Refunding Bonds bearing interest payable semi-annually at rates varying from 3.00 to 4.00 percent. The city issued this debt to provide funds for the purpose of refunding in advance of maturity the Series 1999 Special Obligation Bonds, thereby reducing the debt service requirement. \$ 450,000

\$1,900,000 series 2010 Unlimited General Obligation Refunding Bonds bearing interest payable semi-annually at rates varying from 1.50 to 3.50 percent. The city issued this debt to provide funds for the purpose of refunding in advance of maturity the Series 2000 General Obligation Special Improvement Bonds, thereby reducing the debt service requirement. 675,000

\$ 1,125,000

**NOTES/LEASES PAYABLE:**

MS Department of Economic & Community Development, 4.65% lease, dated 08-01-00, payable over 20 years. Fire station project. \$ 101,059

MS Development Authority, 2.00% capital improvement loan dated 9-22-10, payable over 10 years. The proceeds were used to purchase a fire truck. 183,678

Copiah Bank N.A. lease for a tractor, interest rate of 1.71%, principal and interest payments of \$1,471 payable monthly, maturing 4-21-2018 10,201

MS Central MS Public Improvement Corporation, 3.17% lease, dated 12-27-13, payable over 5 years. Police Department Building. 807,455

Copiah Bank N.A. lease for two vehicles, interest rate of 1.81%, principal and interest payments of \$1,644 payable monthly, maturing 1-23-2020 45,026

Copiah Bank N.A. lease for a vehicle, interest rate of 1.81%, principal and interest payments of \$997 payable monthly, maturing 1-23-2020 27,312

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

Copiah Bank N.A. lease for equipment, interest rate of 1.63%, principal and interest payments of \$3,978 payable monthly, maturing 3-21-2020	116,760
Bancorp South lease for a fire station, interest rate of 2.85%, principal and interest payable semi-annual, maturing 12-01-2030	946,000
MS Department of Economic & Community Development, 2.00% lease, dated 10-01-15, payable over 10 years. Fire truck.	<u>519,961</u>
	\$ <u><u>2,757,452</u></u>

	<u>Due within one year</u>	<u>Due in more than one year</u>	<u>Total</u>
Bonds	\$ 440,000	\$ 685,000	\$ 1,125,000
Notes/lease payable	<u>541,654</u>	<u>2,215,798</u>	<u>2,757,452</u>
Total	\$ <u><u>981,654</u></u>	\$ <u><u>2,900,798</u></u>	\$ <u><u>3,882,452</u></u>

**BUSINESS-TYPE ACTIVITIES**

**NOTES/LEASES PAYABLE:**

Mississippi Department of Health loan for construction of well #6, interest at the rate of 1.95 percent, principal and interest payments of \$4,776 payable monthly through the year 2035. Water and sewer department	\$ 850,583
Copiah Bank N. A. loan for two trucks, interest at the rate of 1.23%, principal and interest payments of \$1,616 payable monthly through the year 2020.	<u>44,286</u>
	\$ <u><u>894,869</u></u>
Due within one year	\$ 61,015
Due within more than one year	<u>833,854</u>
Total	\$ <u><u>894,869</u></u>

**CITY OF RICHLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize all bonded debt outstanding as of September 30, 2017:

**GOVERNMENTAL ACTIVITIES**

<u>Year Ended September 30,</u>	<u>Special Obligation Principal</u>	<u>General Obligation Principal</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2018 \$	-	\$ 440,000	\$ 541,654	\$ 103,320	\$ 1,084,974
2019	-	455,000	534,211	72,574	1,061,785
2020	-	230,000	565,329	40,058	835,387
2021	-	-	133,677	27,281	160,958
2022	-	-	127,238	24,219	151,457
Years Thereafter	-	-	855,343	93,368	948,711
\$	-	\$ 1,125,000	\$ 2,757,452	\$ 360,820	\$ 4,243,272

**BUSINESS-TYPE ACTIVITIES**

<u>Year Ended September 30,</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2018 \$	-	\$ -	\$ 61,015	\$ 17,576	\$ 78,591
2019	-	-	58,904	16,481	75,385
2020	-	-	47,037	15,432	62,469
2021	-	-	41,393	14,624	56,017
2022	-	-	42,208	13,826	56,034
Years Thereafter	-	-	644,312	100,345	744,657
\$	-	\$ -	\$ 894,869	\$ 178,284	\$ 1,073,153

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

**LIMITATION OF INDEBTEDNESS**

No municipality shall hereafter issue bonds for the purposes authorized by the law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed fifteen percent until September 30, 1995 and ten percent thereafter, of the assessed value of the taxable property within such municipality, accordingly to the then last completed assessment for taxation. In computing such indebtedness there may be deducted all bonds or other evidence of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed fifteen percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore or hereafter issued by any municipality which are payable exclusively from revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 to 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Section 21-41-1 through 21-41-53.

The following is a schedule of limitations on the indebtedness of the City at September 30, 2017:

<b>Authorized Debt Limit:</b>	<b><u>15 Percent</u></b>
Assessed valuation for fiscal year then ended September 30, 2017 (\$115,205,892)	\$17,280,884
Present debt subject to 15 percent limitation	<b><u>1,125,000</u></b>
Margin for further indebtedness (under 15 percent limitation)	<b><u>\$ 16,155,884</u></b>

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 4 - PENSION PLAN**

##### **Plan Description**

The City contributes to the Public Employees' Retirement Systems 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 the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601-359-3589 or 1-800-444-PERS or online at <http://www.pers.ms.gov>.

##### **Benefits Provided**

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 2.5% 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 receives 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. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by State legislature.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 4 - PENSION PLAN (CONTINUED)**

##### **Contributions**

Plan provisions and the Boards of Trustees' authority to determine contribution rates are established by Miss. Code Ann. §25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0% cost-of-living increase calculated according to the terms of the respective plan.

Employees are required to contribute 9.00% of their annual pay. The City's contractually required contribution rate for the year ended September 30, 2017, was 15.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2017, contributions to the pension plan from the City were \$822,627.

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

At September 30, 2017, the City reported a liability of \$13,276,772, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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 employer contributions to PERS for the plan's fiscal year ended June 30, 2017, relative to the total employer contributions of participating employers to PERS. At June 30, 2017, 2016 and 2015, the City's proportion was 0.079868%, 0.074586% and 0.073981%, respectively.

For the year ended September 30, 2017, the City recognized pension expense of \$1,526,502. At September 30, 2017, the City reported deferred outflows or resources related to pensions from the following sources:

# CITY OF RICHLAND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 - PENSION PLAN (CONTINUED)

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 190,745
Changes of assumptions or other inputs	295,091
Net difference between projected and actual earnings on pension plan investments	695,603
Contributions subsequent to the measurement date	<u>223,892</u>
	<u>\$ 1,405,331</u>

At September 30, 2017, the City reported \$223,892, as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending September 30, 2017. Other amounts reported as deferred outflows of resources at September 30, 2017, related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 527,107
2019	504,609
2020	116,219
2021	<u>33,504</u>
	<u>\$ 1,181,439</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation



**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - PENSION PLAN (CONTINUED)**

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males with adjustments.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Allocation Percentage</u>	<u>Expected Real Rate of Return</u>
U.S. Broad	27%	5.20%
International equity	18%	5.00%
Emerging markets equity	4%	5.45%
Global	12%	4.75%
Fixed income	18%	0.25%
Real assets	10%	4.00%
Private equity	8%	6.15%
Emerging debt	2%	2.25%
Cash	1%	0.00%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% at June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%).

## CITY OF RICHLAND

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 - PENSION PLAN (CONTINUED)

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.

#### Sensitivity of The City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The City's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents The City's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	<u>\$ 17,413,373</u>	<u>\$ 13,276,773</u>	<u>\$ 9,842,495</u>

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at <http://www.pers.ms.gov>.

#### Payable to the Pension Plan

The City has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2017.

#### NOTE 5 - LITIGATION

According to the attorneys engaged by the City on a regular basis, the City is not a defendant in any suits with any material contingent losses.

#### NOTE 6 - COMMITMENTS AND CONTINGENCIES

On April 5, 1977, the Mayor and Board of Aldermen executed on behalf of the City, a contract with Richland Creek Watershed Drainage District providing for payment by the City of Richland of \$10,000 per year for 50 years on the District's \$550,000 Farmers Home

## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Administration loan for the purchase of land for the construction of retention dams, all to be in lieu of the District assessing separately approximately 4,000 acres of land within the City. During the year ended September 30, 2008, the City entered into an agreement with West Rankin Utility City to provide waste water treatment for 30 years. The city agreed to remit monthly payments representing the City's proportionate share of the City's annual budget.

#### **NOTE 7 - DEPOSITS**

At year-end, the City had unrestricted and restricted cash on deposit with local banks. These balances were covered by the bank's federal depository insurance and collateral held by the pledging bank in the City's name.

#### **NOTE 8 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represents, in the General Fund the amount due from the Mississippi State Tax Commission for sales tax.

#### **NOTE 9 - INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Enterprise Fund records charges provided by the City as operating expenses and remits all garbage fees collected to the General Fund on a monthly basis. These operations have generated interfund receivable and payable balances representing amounts from September activity as well as transactions that occurred during the year.

#### **NOTE 10 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. The county bills and collects property, personal auto and mobile home taxes and remits these funds to the City. The millage rate for the City for January through December 2016 was 19.0 mills, all of which went to the General Fund.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 1, 2018, which is the date the financial statements were available to be issued.

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - CONTRACT COMMITMENTS**

At September 30, 2017, the City had entered into various contracts to acquire and construct municipal facilities as follows:

<b><u>Project</u></b>	<b><u>Total Contract Amount</u></b>	<b><u>Cost incurred as of Sept. 30, 2017</u></b>	<b><u>Commitment outstanding as of Sept. 30, 2017</u></b>
Sanitary Sewer	\$ 881,939	\$ 795,831	\$ 86,108
Riverside Drive signal	836,435	601,067	235,368
Walker Circle/Jones Street	330,305	311,213	19,092

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
Advalorem taxes	\$ 2,800,000	\$ 208,000	\$ 3,008,000	\$ 3,162,104	\$ 154,104
Sales tax	5,200,000	-	5,200,000	5,640,634	440,634
Licenses and permits	122,000	-	122,000	123,158	1,158
Inter-governmental	77,500	-	77,500	77,494	(6)
Garbage fees	260,000	-	260,000	262,980	2,980
Fines and forfeits	400,000	-	400,000	400,335	335
Franchise tax	285,500	-	285,500	241,316	(44,184)
Interest	6,000	-	6,000	7,601	1,601
Grand Gulf	123,000	-	123,000	123,063	63
Drug seizure	550,000	-	550,000	211,709	(338,291)
Miscellaneous	1,241,066	27,831	1,268,897	433,590	(835,307)
Total revenue	<u>11,065,066</u>	<u>235,831</u>	<u>11,300,897</u>	<u>10,683,984</u>	<u>(616,913)</u>
<b>EXPENDITURES</b>					
General Government	1,098,541	10,000	1,108,541	1,042,703	65,838
Police Department	3,625,377	120,000	3,745,377	3,512,281	233,096
Court Services	525,080	10,000	535,080	507,675	27,405
EOC Department	15,000	26,000	41,000	2,592	38,408
Fire Department	2,742,077	-	2,742,077	2,548,371	193,706
Public Works	2,315,379	-	2,315,379	1,799,940	515,439
Planning and Development	333,957	3,000	336,957	256,995	79,962
Sanitation Department	300,000	24,000	324,000	316,360	7,640
Parks and Recreation	756,013	27,831	783,844	698,294	85,550
Library	44,500	-	44,500	22,937	21,563
Urban Programs	73,400	15,000	88,400	76,391	12,009
Community and Senior Srv	397,284	-	397,284	322,621	74,663
Total expenditures	<u>12,226,608</u>	<u>235,831</u>	<u>12,462,439</u>	<u>11,107,160</u>	<u>1,280,616</u>
Excess of revenues over (under) expenditures	(1,161,542)	-	(1,161,542)	(423,176)	663,703
Other financing sources (uses):					
Operating transfers out	-	-	-	-	-
Operating transfers in	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Net change in Balance	(1,101,542)	-	(1,101,542)	(363,176)	663,703
Fund balance - Beginning	7,205,608	(2,000,000)	9,205,608	2,553,659	(6,651,949)
Fund balance - Ending	<u>\$ 6,104,066</u>	<u>\$ 2,000,000</u>	<u>\$ 8,104,066</u>	<u>\$ 2,190,483</u>	<u>\$ (5,988,246)</u>

See accountants' report.

**CITY OF RICHLAND  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.079868%	0.074586%
City's proportionate share of the net pension liability	\$ 13,276,772	\$ 13,322,922
City's covered-employee payroll	\$ 5,223,028	\$ 4,897,659
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.20%	272.03%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%
	<u>2015</u>	
City's proportion of the net pension liability	0.073981%	
City's proportionate share of the net pension liability	\$ 11,436,004	
City's covered-employee payroll	\$ 4,597,873	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.72%	
Plan fiduciary net position as a percentage of the total pension liability	61.70%	

**Notes to Schedule:**

**Information above is presented as of the measurement date.**

**The average of the expected remaining services lives of all employees that are provided with pensions through the pension plan (active and inactive employees) at the beginning of the measurement period decreased from 3.72 for 2015 to 3.48 for 2016 to 3.37 for the 2017 measurement period.**

**This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The information presented in this schedule has been determined as of the measurement date in accordance with GASB 68.**

**See accompanying notes to the financial statements.**

**CITY OF RICHLAND  
SCHEDULE OF THE CITY'S CONTRIBUTION  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>
<b>Contractually required contribution</b>	\$ 822,627	\$ 771,381
<b>Contributions in relation to the statutorily required contribution</b>	<u>822,627</u>	<u>771,381</u>
<b>Contribution deficiency (excess)</b>	\$ <u>-</u>	\$ <u>-</u>
<b>City's covered-employee payroll</b>	\$ 5,223,028	\$ 4,897,689
<b>Contributions as a percentage of covered-employee payroll</b>	15.75%	15.75%

	<u>2015</u>
<b>Contractually required contribution</b>	\$ 724,165
<b>Contributions in relation to the statutorily required contribution</b>	<u>724,165</u>
<b>Contribution deficiency (excess)</b>	\$ <u>-</u>
<b>City's covered-employee payroll</b>	\$ 4,597,873
<b>Contributions as a percentage of covered-employee payroll</b>	15.75%

**Notes to schedule:**

**Information above is presented as of the City's fiscal year.**

**This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The information presented in this schedule has been determined as of the City's fiscal year end in accordance with GASB 68.**

**Continued on next page**

**See accompanying notes to the financial statements.**



## **CITY OF RICHLAND**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Changes of Assumptions:**

##### **2017**

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

##### **2016**

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

##### **2015**

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. In 2015, 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. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate - of - return assumptions were changed from 3.50% to 3.00% and 8% to 7.75%, respectively.

#### **Change in Benefit Provisions:**

##### **2016**

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 proceeding year, with a minimum rate of 1% and a maximum rate of 5%.

## **SUPPLEMENTARY INFORMATION**

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT  
SEPTEMBER 30, 2017**

<u>General Obligation Bonds</u>	<u>Balance 09-30-16</u>	<u>Transactions During Fiscal Year</u>		<u>Balance 09-30-17</u>
		<u>Issued</u>	<u>Redeemed</u>	
2008 \$2,025,000 general obligation refunding bonds	\$ 665,000	\$ -	\$ 215,000	\$ 450,000
2010 \$1,900,000 unlimited general obligation refunding bonds	<u>895,000</u>	<u>-</u>	<u>220,000</u>	<u>675,000</u>
<b>Total bonds payable</b>	<u>1,560,000</u>	<u>-</u>	<u>435,000</u>	<u>1,125,000</u>
 <u>Loan/Lease Payable</u>				
Bancorp South - 1.79% excavator lease dated 3-26-14	8,523	-	8,523	-
MS Department of Economic & Community Development - 2.00% capital improvement loan 7-1-07	20,531	-	20,531	-
Copiah Bank N.A. - 1.71% tractor lease dated 08-07-13	8,036	-	8,036	-
Central Mississippi Public Improvement Corporation - 3.17% building lease dated 12-27-13	978,468	-	171,013	807,455
Mississippi Department of Health 1.95% well #6 dated 6-15-15	885,654	-	35,071	850,583
MS Department of Economic & Community Development - 4.65% capital improvement loan 8-1-00	129,237	-	28,178	101,059
Trustmark National Bank - 1.84% mower lease dated 3-11-14	4,824	-	4,824	-

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - PAGE 2  
SEPTEMBER 30, 2017**

<b>Loan/Lease Payable - Con't</b>	<b>Balance 09-30-16</b>	<b>Transactions During Fiscal Year</b>		<b>Balance 09-30-17</b>
		<b>Issued</b>	<b>Redeemed</b>	
<b>Copiah Bank N.A. - 1.71%</b>				
tractor lease dated 4-21-14	\$ 27,518	\$ -	\$ 17,317	\$ 10,201
<b>MS Development Authority - 2.00%</b>				
capital improvement loan 9-22-10	233,365	-	49,687	183,678
<b>Copiah Bank N.A. - 1.63%</b>				
equipment lease dated 3-07-16	162,188	-	45,428	116,760
<b>Bancorp South - 2.85%</b>				
fire station loan dated 12-01-15	1,000,000	-	54,000	946,000
<b>MS Department of Economic &amp; Community Development - 2.00%</b>				
capital improvement loan 10-1-15	573,201	-	53,240	519,961
<b>Copiah Bank N.A. - 1.81%</b>				
equipment lease dated 1-23-17	-	56,599	12,313	44,286
<b>Copiah Bank N.A. - 1.81%</b>				
equipment lease dated 1-23-17	-	57,545	12,519	45,026
<b>Copiah Bank N.A. - 1.81%</b>				
equipment lease dated 1-23-17	-	34,906	7,594	27,312
<b>Total loan/lease payable</b>	<b>4,031,545</b>	<b>149,050</b>	<b>528,274</b>	<b>3,652,321</b>
<b>Total long-term debt</b>	<b>\$ 5,591,545</b>	<b>\$ 149,050</b>	<b>\$ 963,274</b>	<b>\$ 4,777,321</b>

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS  
SEPTEMBER 30, 2017**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond</b>
Pat Sullivan	Mayor	Western Surety	\$ 100,000
Gus Black	Alderman	Western Surety	100,000
Clay Burns	Alderman	Western Surety	100,000
Robert Craft	Alderman	Western Surety	100,000
Beth Sanford	Alderman	Western Surety	100,000
Cathey Wynne	Alderman	Western Surety	100,000
Karen Jackson	City Clerk	Western Surety	50,000
Melinda Quick	Interim City Clerk	Western Surety	50,000
Mindy Thurman	Deputy clerk	Western Surety	50,000
Barbara Adams	Deputy clerk	Western Surety	50,000
Sandra Yates	Deputy clerk	Western Surety	50,000
Lisa Dutton	Deputy clerk	Western Surety	50,000
Russel James	Chief of Police	Western Surety	50,000
Terry Aldridge	Assistant Chief of Police	Western Surety	50,000
Vicki Smart	Police Dispatcher	Western Surety	50,000
David East	Warrants Officer	Western Surety	50,000
Belinda Kilpatrick	Court Clerk	Western Surety	50,000
Allison Clark	Deputy Court Clerk	Western Surety	50,000
Ashley Alford	Deputy Court Clerk	Western Surety	50,000
Michael Furini	Deputy Court Clerk	Western Surety	50,000
James D. King	Deputy Court Clerk	Western Surety	50,000
Randall J. Walters	Deputy Court Clerk	Western Surety	50,000
Brandon Pena	Deputy Court Clerk	Western Surety	50,000
Lorrie Peterson	Deputy Court Clerk	Western Surety	50,000
Jessica Andrews	Deputy Court Clerk	Western Surety	50,000
Thomas Guy Smith	Youth Coordinator	Western Surety	50,000
Terri Wood	Events Coordinator	Western Surety	50,000
Cole Smith	Park Director	Western Surety	50,000
Kristina Jordan	Administrative Assistant	Western Surety	50,000
Cheryl Erwin	Receptionist	Western Surety	50,000
Jason Sutphin	Water Dept Manager	Western Surety	50,000
Sharon Holmes	Deputy Clerk	Western Surety	50,000
Pam Gregory	Deputy Clerk	Western Surety	50,000
Melissa Ashley	Permit Clerk	Western Surety	50,000
Blanket bonds	Police Officers	State Auto Insurance Company	50,000
Blanket bonds	All other city employees	State Auto Insurance Company	50,000

See accountants' report.

**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***

# *Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
Gary L. Walker, CPA  
Cindy Hollingsworth, CPA  
Jessica Lea Minter, CPA, PFS

MEMBERS  
American Institute of  
Certified Public Accountants  
Mississippi Society of  
Certified Public Accountants

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

**To the Honorable Mayor and  
Board of Aldermen  
City of Richland  
Richland, Mississippi**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Richland, Mississippi, as of and for the year ended September 30, 2017 which collectively comprise the City of Richland, Mississippi's basic financial statements and have issued our report thereon dated March 1, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Richland, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Richland, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Richland, Mississippi's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Richland, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

*Lyle, Walther & Co., P.A.*

March 1, 2018



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS  
AND REGULATIONS**

*Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
Gary L. Walker, CPA  
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Jessica Lea Minter, CPA, PFS

MEMBERS  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS  
AND REGULATIONS**

**The Honorable Mayor and Board of Alderman  
City of Richland  
Richland, Mississippi**

We have audited the basic financial statements of the City of Richland, Mississippi, as of and for the year ended September 30, 2017 and have issued our report dated March , 2018. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we 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 general purpose financial statements disclosed no material instances of 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.

*Lyle, Walker & Co. P.A.*

**March 1, 2018**