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**CITY OF RICHLAND**  
**AUDITED FINANCIAL STATEMENTS**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2019**

# **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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Cindy Hollingsworth, CPA

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, 2019, 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 from material misstatement.**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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. 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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



The Honorable Mayor and  
Board of Aldermen  
City of Richland  
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*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Richland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richland's internal control over financial reporting and compliance.

*L. H. Walker & Co., P.A.*

Ridgeland, Mississippi  
February 15, 2020

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

PAT SULLIVAN  
MAYOR  
601-932-1256

**ALDERMEN**

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***City of Richland, Mississippi  
Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2019***

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, 2019. 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 \$18,000,414 (net position) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$26,426,810 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 \$410,176 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws or regulations.
- (3) Unrestricted net position of \$8,836,572 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 \$4,698,422 this year. This compares to the prior year ending fund balance of \$4,093,420 showing an increase of \$605,002 during the year.

---

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RICHLAND, MS 39218  
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410 EAST HARPER STREET  
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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  
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At the end of the current fiscal year, fund balance on a budgetary basis for the General Fund was \$2,358,571 or 22% of total General Fund expenditures including transfers and 20% 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. There are two kinds of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the Water and Sewer Department. 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 \$18,000,414. The following table provides a summary of the City's net assets for the fiscal year ended September 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 8,173,698	\$ 4,278,326	\$ 12,452,024
Capital assets	16,115,634	14,428,273	30,543,907
Deferred Outflows related to Pension	714,238	48,104	762,342
Total assets	<u>25,003,570</u>	<u>18,754,703</u>	<u>43,758,273</u>
Long-term liabilities	16,528,251	4,292,492	20,820,743
Other liabilities	4,402,467	657,675	4,760,142
Total liabilities	<u>20,630,718</u>	<u>4,950,167</u>	<u>25,580,885</u>
Deferred inflows related to pension	<u>165,807</u>	<u>11,167</u>	<u>176,974</u>
Net Position:			
Invested in capital assets net of related debt	12,763,694	13,663,116	26,426,810
Debt restricted for debt service	410,176	-	410,176
Unrestricted	<u>(8,966,825)</u>	<u>130,253</u>	<u>(8,836,572)</u>
Total net position	<u>\$ 4,207,045</u>	<u>\$ 13,793,369</u>	<u>\$ 18,000,414</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	\$ -	\$ 2,029,376	\$ 2,029,376
General revenues			
Advalorem taxes	2,933,965	-	2,933,965
Sales tax	6,835,242	-	6,835,242
Licenses and permits	345,531	-	345,531
Intergovernmental revenues	53,297	-	53,297
Garbage fees	359,370	-	359,370
Fines and forfeits	395,154	-	395,154
Franchise tax	285,816	-	285,816
Interest	111,919	51,604	163,523
Grand Gulf	119,940	-	119,940
Drug Seizure	392,181	-	392,181
Miscellaneous	794,777	-	794,777
Assessments	217,593	-	217,593
Transfers	100,000	(100,000)	-
Total Revenues	<u>12,944,785</u>	<u>1,980,980</u>	<u>14,925,765</u>
Expenses			
General Government	921,301	-	921,301
Police Department	3,142,931	-	3,142,931
Court Services	456,470	-	456,470
EOC Department	5,909	-	5,909
Fire Department	2,502,493	-	2,502,493
Street Department	1,303,735	-	1,303,735
Planning & Development	256,881	-	256,881
Sanitation Department	341,942	-	341,942
Parks & Recreation	807,838	-	807,838
Library	29,508	-	29,508
Urban Programs	35,519	-	35,519
Community & Senior Services	319,989	-	319,989
Depreciation & Transfer	1,519,710	-	1,519,710
Net Interest	37,188	-	37,188
Pension Expense	827,920	-	827,920
Water & Sewer	-	2,485,393	2,485,393
Total Expenses	<u>12,509,334</u>	<u>2,485,393</u>	<u>14,994,727</u>
Change in net position	435,451	(504,413)	(68,962)
Beginning net position	3,771,594	14,297,782	18,069,376
Ending net position	<u>\$ 4,207,045</u>	<u>\$ 13,793,369</u>	<u>\$ 18,000,414</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 \$4,698,422. Of this year-end total \$1,878,510 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include \$410,176 committed to debt service.

The total ending fund balances of governmental funds show an increase of \$605,002 over 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 increased by \$8,470 during the fiscal year ended September 30, 2019.

The debt service fund has a total fund balance of \$410,176, 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 \$13,793,369. Operating revenues totaled \$2,029,376 and operating expenses totaled \$2,470,050 resulting in operating income of (\$440,674). After non-operating expenses of \$36,261, the change in net assets in the proprietary fund was a loss of \$504,413.

## **General Fund Budgetary Highlights**

The General Fund budget for fiscal year ended September 30, 2019 was \$11,985,075.

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 \$29,511. This increase can be briefly summarized as follows:

- Revenue decreased by a total of \$801,639 largely due to creation of a separate Cleared Drug Seizure Fund
- Expenditures decreased by a total of \$831,150 due to spending reductions made in the Police, Public Works, Planning and Development, Parks and Recreation, and Senior Services Departments.



## **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, 2019, was \$31,827,556 and \$27,715,584 respectively, resulting in the total capital assets of \$59,543,140. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2019, was \$28,999,233 (\$15,711,922 for government-type activities and \$13,287,311 for business-type activities). The balance in total net capital assets was \$30,543,007.

*Debt Administration:* At September 30, 2019, the City of Richland had \$4,117,097 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, for the debt service of the Mississippi Development Bank Special Obligation Bonds, was escrowed to the escrow agent on October 1, 2018, which were ultimately extinguished by agent in July of 2019 for the final bond payment.

Enterprise Fund revenue provided funding of the Capital Improvements Revolving Loan and Notes/Leases for \$39,876 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 \$18,698,985.

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 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, especially the Hwy. 49 corridor 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. A new roof on the existing building was installed 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 four-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:*

A 2% Food and Beverage Tax was levied pursuant to Mississippi Legislature House Bill 1521 on October 1, 2018 to continue levying a 2% tax on food and beverages in the City for the expanded purpose of providing funds for the promotion of tourism, parks and recreation. Plans are under way to acquire bonds for the funds needed to build a Multipurpose Recreational Building and park enhancements.

A 3% Hotel and Motel Tax was levied pursuant to Mississippi Legislature House Bill 1520 on October 1, 2018 on the gross proceeds of room rentals in the City for the purpose of promoting tourism, parks and recreation. These funds will be used by the City to maintain the current facilities.

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. Plans are in place to expand the programs and facilities for an even greater impact on lives.

6. *Water and Sewer Department:*

The Water Department will soon begin installing new water lines and meters to provide better services to our citizens. We have gotten the new well and water tower up and running. 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 few years.

8. *Streets Department:*

The City is working to clean out ditches and replace culverts to aid in drainage. There is also a running list of streets to be overlaid for the next several years.

**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; or [kjackson@richlandms.com](mailto:kjackson@richlandms.com).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF RICHLAND**

**STATEMENT OF NET POSITION  
YEAR ENDED SEPTEMBER 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,574,409	\$ 3,714,502	\$ 8,288,911
Receivables (net of uncollectible amounts)	3,245,854	313,556	3,559,410
Restricted cash and cash equivalents	353,435	250,268	603,703
Capital assets:			
Land and buildings	13,860,287	87,060	13,947,347
Improvements	8,463,540	26,549,275	35,012,815
Machinery and equipment	9,503,729	1,079,249	10,582,978
Accumulated depreciation	(15,711,922)	(13,287,311)	(28,999,233)
Total assets	<u>24,289,332</u>	<u>18,706,599</u>	<u>42,995,931</u>
Deferred outflows related to pension	<u>714,238</u>	<u>48,104</u>	<u>762,342</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	324,522	334,496	659,018
Uncleared drug seizure	109,207	-	109,207
Customer deposits	-	250,210	250,210
Accrued salaries	62,365	4,993	67,358
Accrued vacation pay	339,576	27,381	366,957
Deferred revenue	2,645,268	-	2,645,268
Noncurrent liabilities:			
Due within one year	621,529	40,595	662,124
Due within more than one year	2,730,411	3,363,211	6,093,622
Net pension liability	13,797,840	929,281	14,727,121
Total liabilities	<u>20,630,718</u>	<u>4,950,167</u>	<u>25,580,885</u>
Deferred inflows related to pension	<u>165,807</u>	<u>11,167</u>	<u>176,974</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets net of debt	12,763,694	13,663,116	26,426,810
Restricted for debt service	410,176	-	410,176
Unrestricted	<u>(8,966,825)</u>	<u>130,253</u>	<u>(8,836,572)</u>
Total net position	\$ <u>4,207,045</u>	\$ <u>13,793,369</u>	\$ <u>18,000,414</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019**

		PROGRAM REVENUES								
		Charges for	Grants and contributions		Net					
		Services	Operating	Capital	(Expense) Revenue					
FUNCTIONS/PROGRAMS		Expenses								
Governmental activities:										
General government	\$	921,301	\$	-	\$	-	\$	(921,301)		
Police Department		3,142,931		-		-		(3,142,931)		
Court Services		456,470		-		-		(456,470)		
EOC Department		5,909		-		-		(5,909)		
Fire Department		2,502,493		-		-		(2,502,493)		
Street Department		1,303,735		-		-		(1,303,735)		
Planning and Development		256,881		-		-		(256,881)		
Sanitation Department		341,942		-		-		(341,942)		
Parks and Recreation		807,838		-		-		(807,838)		
Library		29,508		-		-		(29,508)		
Urban Programs		35,519		-		-		(35,519)		
Community and Senior Ser		319,989		-		-		(319,989)		
Depreciation and transfer		1,519,710		-		-		(1,519,710)		
Other interest		37,188		-		-		(37,188)		
Pension expense		827,920		-		-		(827,920)		
Total governmental activities		12,509,334		-		-		(12,509,334)		
Business-type activities:										
Water and sewer		2,485,393		2,029,376		-		-	(456,017)	
Total primary government	\$	14,994,727	\$	2,029,376	\$	-	\$	-	\$	(12,965,351)

**Continued**

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>Change in Net Position:</b>			
Net (expense) revenue	\$ (12,509,334)	\$ (456,017)	\$ (12,965,351)
<b>GENERAL REVENUES</b>			
Advalorem taxes	2,933,965	-	2,933,965
Sales tax	6,835,242	-	6,835,242
Licenses and permits	345,531	-	345,531
Intergovernmental revenues	53,297	-	53,297
Garbage fees	359,370	-	359,370
Fines and forfeits	395,154	-	395,154
Franchise tax	285,816	-	285,816
Interest	111,919	51,604	163,523
Grand Gulf	119,940	-	119,940
Drug Seizure	392,181	-	392,181
Miscellaneous	794,777	-	794,777
Assessments	217,593	-	217,593
<b>Total revenue</b>	<b>12,844,785</b>	<b>51,604</b>	<b>12,896,389</b>
<b>TRANSFERS:</b>			
Operating in	100,000	-	100,000
Operating out	-	(100,000)	(100,000)
<b>Total general revenues and transfers</b>	<b>12,944,785</b>	<b>(48,396)</b>	<b>12,896,389</b>
<b>Change in net position</b>	<b>435,451</b>	<b>(504,413)</b>	<b>(68,962)</b>
<b>Net position - beginning</b>	<b>3,771,594</b>	<b>14,297,782</b>	<b>18,069,376</b>
<b>Net position - ending</b>	<b>\$ 4,207,045</b>	<b>\$ 13,793,369</b>	<b>\$ 18,000,414</b>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<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	\$ 7,700	\$ -	\$ -	\$ 7,700
Cash on deposit	2,683,295	353,435	1,883,416	4,920,146
	<u>2,690,995</u>	<u>353,435</u>	<u>1,883,416</u>	<u>4,927,846</u>
<b>Receivables</b>				
Other	-	218,759	-	218,759
<b>Due from other governments</b>	<u>585,017</u>	<u>56,740</u>	<u>46,259</u>	<u>688,016</u>
<b>Total assets</b>	<u>\$ 3,276,012</u>	<u>\$ 628,934</u>	<u>\$ 1,929,675</u>	<u>\$ 5,834,621</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 490,469	\$ -	\$ -	\$ 490,469
Accrued salaries	62,365	-	-	62,365
Accrued vacation pay	333,916	-	-	333,916
Deferred revenue	30,691	218,758	-	249,449
<b>Total liabilities</b>	<u>917,441</u>	<u>218,758</u>	<u>-</u>	<u>1,136,199</u>
<b>Fund Balances</b>				
Restricted for debt service	-	410,176	-	410,176
Other restricted funds	17,880	-	1,369,082	1,386,962
Nonspendable for drug seizure	-	-	560,593	560,593
Committed for general fund	462,181	-	-	462,181
Unassigned	1,878,510	-	-	1,878,510
<b>Total fund balances</b>	<u>2,358,571</u>	<u>410,176</u>	<u>1,929,675</u>	<u>4,698,422</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,276,012</u>	<u>\$ 628,934</u>	<u>\$ 1,929,675</u>	<u>\$ 5,834,621</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, 2019**

<b>Total fund balance - total governmental funds</b>	<b>\$</b>	<b>4,698,422</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
<b>Capital assets of \$31,827,556, net of accumulated depreciation of \$15,711,922, are not financial resources and, therefore are not reported in the funds</b>		<b>16,115,634</b>
<b>Pension Obligations:</b>		
<b>Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.</b>		
<b>Net pension liability</b>	<b>\$</b>	<b>(13,797,840)</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>714,238</b>	
<b>Deferred inflows related to pension</b>	<b>(165,807)</b>	<b>(13,249,409)</b>
<b>GAAP to Budgetary conversion</b>		<b>46,534</b>
<b>Reversal of prior year conversion entry</b>		<b>(52,196)</b>
<b>Notes and bonds payable are not included in the funds</b>		<b>(3,351,940)</b>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>4,207,045</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, 2019**

	<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	\$ 2,933,965	\$ -	\$ -	\$ 2,933,965
Sales tax	6,309,075	-	526,167	6,835,242
Licenses and permits	345,531	-	-	345,531
Inter-governmental revenues	53,297	-	-	53,297
Garbage fees	359,370	-	-	359,370
Fines and forfeits	395,154	-	-	395,154
Franchise tax	285,816	-	-	285,816
Interest	41,074	52,438	18,407	111,919
Grand Gulf	119,940	-	-	119,940
Drug seizure	-	-	392,181	392,181
Miscellaneous	794,777	203,585	14,008	1,012,370
<b>Total revenue</b>	<b><u>11,637,999</u></b>	<b><u>256,023</u></b>	<b><u>950,763</u></b>	<b><u>12,844,785</u></b>
<b><u>EXPENDITURES</u></b>				
General Government	920,221	-	-	920,221
Police Department	3,149,187	-	759,256	3,908,443
Court Services	455,760	-	-	455,760
EOC Department	5,909	-	-	5,909
Fire Department	2,877,960	-	-	2,877,960
Public Works	1,727,323	-	-	1,727,323
Planning and development	255,929	-	-	255,929
Sanitation Department	341,942	-	-	341,942
Parks and Recreation	697,135	-	272,470	969,605
Library	29,508	-	-	29,508
Urban Programs	35,519	-	-	35,519
Community and Senior Srv	319,476	-	-	319,476
Debt service - Principal	-	225,000	230,000	455,000
Debt service - Interest	-	11,988	9,200	21,188
Other	-	2,250	13,750	16,000
<b>Total expenditures</b>	<b><u>10,815,869</u></b>	<b><u>239,238</u></b>	<b><u>1,284,676</u></b>	<b><u>12,339,783</u></b>
<b>Excess of revenues/expenditures</b>	<b>822,130</b>	<b>16,785</b>	<b>(333,913)</b>	<b>505,002</b>
Operating transfers out	(913,660)	-	913,660	-
Operating transfers in	100,000	-	-	100,000
<b>Net change in Fund Balance</b>	<b><u>8,470</u></b>	<b><u>16,785</u></b>	<b><u>579,747</u></b>	<b><u>605,002</u></b>
<b>Fund balance - Beginning</b>	<b><u>2,350,101</u></b>	<b><u>393,391</u></b>	<b><u>1,349,928</u></b>	<b><u>4,093,420</u></b>
<b>Fund balance - Ending</b>	<b><u>\$ 2,358,571</u></b>	<b><u>\$ 410,176</u></b>	<b><u>\$ 1,929,675</u></b>	<b><u>\$ 4,698,422</u></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, 2019**

<b>Net change in fund balances - total government funds</b>	<b>\$</b>	<b>605,002</b>
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**Amounts reported for governmental activities in the statement  
of activities are different because:**

<b>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.</b>	<b>46,534</b>
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<b>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.</b>	<b>373,716</b>
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<b>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.</b>	<b>238,119</b>
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**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>\$ (1,084,205)</b>	
<b>Contributions made after the measurement date</b>	<b>256,285</b>	
		<b>(827,920)</b>

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>435,451</b>
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**See accompanying notes to the financial statements.**

**CITY OF RICHLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2019**

	<b><u>Business-type Activities - Enterprise Funds Water &amp; Sewer</u></b>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 3,714,502
Accounts receivable (net of uncollectible allowance)	225,391
Other receivable	88,165
Total current assets	<u>4,028,058</u>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents:	
Customer deposits	<u>250,268</u>
Total restricted assets	<u>250,268</u>
Capital assets:	
Land	87,060
Improvements	26,549,275
Machinery and equipment	1,079,249
Accumulated depreciation	<u>(13,287,311)</u>
Total capital assets	<u>14,428,273</u>
Total noncurrent assets	<u>14,678,541</u>
Total assets	<u>18,706,599</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	<u>48,104</u>
Total deferred outflows of resources	<u>48,104</u>

See accompanying notes to the financial statements.

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 334,496
Customer deposits	250,210
Accrued salaries	4,993
Accrued vacation pay	27,381
Due to other funds	-
Current portion of long term debt	40,595
Total current liabilities	<u>657,675</u>
<b>Noncurrent liabilities:</b>	
Notes payable	724,562
SRF loan on construction in process	2,638,649
Net pension liability	929,281
Total noncurrent liabilities	<u>4,292,492</u>
<b>Total liabilities</b>	<u>4,950,167</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	11,167
Total deferred inflows of resources	<u>11,167</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	13,663,116
Unrestricted	<u>130,253</u>
<b>Total net position</b>	<u>\$ 13,793,369</u>

**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,553,850
Service charges and other	475,526
Total operating revenue	<u>2,029,376</u>
<b>OPERATING EXPENSES</b>	
Personnel services	479,657
Supplies and materials	233,722
Sewer treatment	495,390
Depreciation	707,187
Pension expense	41,594
Other	512,500
Total operating expenses	<u>2,470,050</u>
Operating income	<u>(440,674)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	51,604
Interest expense	(15,343)
Total nonoperating expense	<u>36,261</u>
<b>NET INCOME (LOSS)</b>	<u>(404,413)</u>
Transfer to general fund	<u>(100,000)</u>
<b>NET INCOME (LOSS) AFTER TRANSFERS</b>	<u>(504,413)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>14,297,782</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,793,369</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 2,428,020
Cash payments for goods and services	(1,062,314)
Cash payments to employees	(477,660)
Deferred inflows	(11,171)
Deferred outflows	29,827
Net cash provided by operating activities	<u>906,702</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Appropriations to restricted cash	(5,873)
Payments on long term debt	(39,876)
Proceeds from long term debt	1,875,857
Transfer to general fund	(100,000)
Net cash provided by capital and related financing activities	<u>1,730,108</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of equipment from unrestricted cash	(3,201,932)
Net cash used in investing activities	<u>(3,201,932)</u>
 <b>NET DECREASE IN CASH</b>	 (565,122)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>4,279,624</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 \$ <u><u>3,714,502</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	\$ <u><u>15,343</u></u>

- Continued -

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2019**

**PAGE TWO**

	<b><u>Business-type Activities - Enterprise Funds Water &amp; Sewer</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net income (loss)	\$ (404,413)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	707,187
Changes in:	
Receivables	347,040
Deferred inflows	(11,171)
Deferred outflows	29,827
Payables and accrued liabilities	215,294
Net pension liability	<u>22,938</u>
Net cash provided by operating activities	\$ <u><u>906,702</u></u>

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 from bars and restaurants. The expenditures are for payment of debt. In September 30, 2019 the debt was fully liquidated and the fund was transferred to the 2% Food and Beverage Fund.

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

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

**3% Hotel and Motel Fund**

The 3% Hotel and Motel Fund accounts for the proceeds collected in accordance with the Mississippi Legislature House Bill No. 1717 which authorizes the collection of 3% tax on room sales from hotels and motels.

**2% Food and Beverage Fund**

The 2% Food and Beverage 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 from bars and restaurants.

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.

*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.

## 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 the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 susceptible to accrual 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.

#### 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 \$85,793 for the year end September 30, 2019.

**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 body (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 the expenditure 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, 2019, was as follows:

	<b>Capital Assets 9-30-18</b>	<b>Additions</b>	<b>Deductions</b>	<b>Capital Assets 9-30-19</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Capital assets not being depreciated:</b>				
<b>Land</b>	<b>\$ 1,391,628</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,391,628</b>
<b>Other capital assets</b>				
General	2,316,562	2,631	31,368	2,287,825
Police protection	7,988,686	131,192	155,203	7,964,675
Fire protection	4,387,040	1,332,364	605,577	5,113,827
Public Works	9,029,954	358,780	209,040	9,179,694
Planning	100,663	-	-	100,663
Emergency Operations Center	208,081	-	-	208,081
Parks	5,077,107	57,028	68,413	5,065,722
Library	515,441	-	-	515,441
<b>Total other capital assets</b>	<b>29,623,534</b>	<b>1,881,995</b>	<b>1,069,601</b>	<b>30,435,928</b>
<b>Total other capital assets at historical cost</b>	<b>31,015,162</b>	<b>1,881,995</b>	<b>1,069,601</b>	<b>31,827,556</b>
<b>Less accumulated depreciation for:</b>				
General	(1,038,315)	(65,637)	31,368	(1,072,584)
Police protection	(2,786,573)	(432,351)	154,311	(3,064,613)
Fire protection	(2,296,287)	(347,823)	605,106	(2,039,004)
Public Works	(6,025,324)	(457,624)	209,040	(6,273,908)
Planning	(98,978)	(1,115)	-	(100,093)
Emergency Operations Center	(199,432)	(4,070)	-	(203,502)
Parks	(2,554,582)	(178,348)	60,783	(2,672,147)
Library	(273,753)	(12,318)	-	(286,071)
<b>Total accumulated depreciation</b>	<b>(15,273,244)</b>	<b>(1,499,286)</b>	<b>1,060,608</b>	<b>(15,711,922)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 15,741,918</b>	<b>\$ 382,709</b>	<b>\$ 8,993</b>	<b>\$ 16,115,634</b>

## CITY OF RICHLAND

## NOTES TO FINANCIAL STATEMENTS

## NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Capital Assets 9-30-18	Additions	Deductions	Capital Assets 9-30-19
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 87,060	\$ -	\$ -	\$ 87,060
Other capital assets				
Improvements	22,893,017	3,017,980	-	25,910,997
Machinery and equipment	1,639,324	183,951	105,748	1,717,527
Total other capital assets at historical cost	24,532,341	3,201,931	105,748	27,628,524
Less accumulated depreciation for:				
Improvements	(11,649,701)	(568,777)	-	(12,218,478)
Machinery and equipment	(1,036,171)	(138,410)	105,748	(1,068,833)
Total accumulated depreciation	(12,685,872)	(707,187)	105,748	(13,287,311)
Business-Type activities capital assets, net	\$ 11,933,529	\$ 2,494,744	\$ -	\$ 14,428,273

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

<b>Governmental activities</b>		
General	\$	65,637
Police protection		432,351
Fire protection		347,823
Public Works		457,624
Planning		1,115
Emergency Operations Center		4,070
Parks		178,348
Library		12,318
	\$	<u>1,499,286</u>
<b>Business- type activities</b>		
Improvements	\$	568,777
Machinery and equipment		<u>138,410</u>
	\$	<u>707,187</u>

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT**

Bonds and notes payable at September 30, 2019, are comprised of:

**GOVERNMENTAL ACTIVITIES**

**BONDS:**

**General Obligation bonds:**

<b>\$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.</b>	<b>\$ 230,000</b>
	<b>\$ 230,000</b>

**NOTES/LEASES PAYABLE:**

<b>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</b>	<b>\$ 6,550</b>
<b>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</b>	<b>23,653</b>
<b>Bancorp South lease for a fire station, interest rate of 2.85%, principal and interest payable semi-annual, maturing 12-01-2030</b>	<b>832,000</b>
<b>MS Department of Economic &amp; Community Development, 2.00% lease, dated 10-01-15, payable over 10 years. Fire truck.</b>	<b>346,956</b>
<b>Trustmark Bank lease for Parks equipment. Interest rate of 2.90%, principal and interest payments of \$6'500 payable monthly, maturing 1/05/2028</b>	<b>576,794</b>
<b>Peoples Bank lease for a vehicle. Interest rate of 2.79%, principal and interest payments of \$814 payable monthly, maturing 4/04/2021</b>	<b>15,100</b>
<b>Trustmark Bank lease for a vehicle. Interest rate of 3.26%, principal and interest payments of \$780 payable monthly, maturing 7/17/2021</b>	<b>16,628</b>
<b>BancorpSouth Bank lease for equipment. Interest rate of 2.33%, principal and interest payments of \$1,154 payable monthly, maturing 12/20/2021</b>	<b>30,338</b>
<b>BancorpSouth Bank lease for equipment. Interest rate of 2.24%, principal and interest payments of \$875 payable monthly, maturing 12/19/2020</b>	<b>12,935</b>

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

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

Mississippi Development Authority for firetruck. Interest rate of 2.00%, principal and interest payments of \$11,481 monthly, maturing 4/1/2029	\$ 1,200,549
Trustmark Bank lease for a vehicle. Interest rate of 3.21%, principal and interest payments of \$893 payable monthly, maturing 7/03/2022	28,998
Trustmark Bank lease for a vehicle. Interest rate of 3.22%, principal and interest payments of \$969 payable monthly, maturing 7/03/2022	<u>31,439</u>
	<u>\$ 3,121,940</u>

	<u>Due within one year</u>	<u>Due in more than one year</u>	<u>Total</u>
Bonds	\$ 230,000	\$ -	\$ 230,000
Notes/lease payable	<u>391,529</u>	<u>2,730,411</u>	<u>3,121,940</u>
Total	<u>\$ 621,529</u>	<u>\$ 2,730,411</u>	<u>\$ 3,351,940</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	\$ <u>765,157</u>
Due within one year	\$ 40,595
Due within more than one year	<u>724,562</u>
Total	<u>\$ 765,157</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, 2019:

**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>
2020	\$ -	\$ 230,000	\$ 391,529	\$ 75,366	\$ 696,895
2021	-	-	356,910	62,382	419,292
2022	-	-	335,333	53,973	389,306
2023	-	-	320,198	46,215	366,413
2024	-	-	327,993	38,569	366,562
Years Thereafter	-	-	1,389,977	76,959	1,466,936
	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 3,121,940</u>	<u>\$ 353,464</u>	<u>\$ 3,705,404</u>

**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>
2020	\$ -	\$ -	\$ 40,595	\$ 14,624	\$ 55,219
2021	-	-	41,393	13,826	55,219
2022	-	-	42,208	13,011	55,219
2023	-	-	43,038	12,181	55,219
2024	-	-	43,885	11,334	55,219
Years Thereafter	-	-	554,038	63,820	617,858
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,157</u>	<u>\$ 128,796</u>	<u>\$ 893,953</u>

**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, 2019:

<b>Authorized Debt Limit</b>	<b><u>15 Percent</u></b>
Assessed valuation for fiscal year then ended September 30, 2019 (124,659,900)	\$ 18,698,985
Present debt subject to 15 percent limitation	<u>230,000</u>
Margin for further indebtedness (under 15 percent limitation)	\$ <u>18,468,985</u>

## **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, 2019 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, 2019, contributions to the pension plan from the City were \$891,219.

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

At September 30, 2019 the City reported a liability of \$14,727,121, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2019, relative to the total employer contributions of participating employers to PERS. At June 30, 2019, 2018, 2017, 2016 and 2015, the City's proportion was 0.083715%, 0.085009%, 0.079868%, 0.074586% and 0.073981%, respectively.

For the year ended September 30, 2019, the City recognized pension expense of \$869,514. At September 30, 2019, 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	\$ 8,712
Changes of assumptions or other inputs	144,386
Changes in Proportion Share	352,959
Contributions subsequent to the measurement date	<u>256,285</u>
	<u>\$ 762,342</u>

At September 30, 2019, the City reported \$256,285, 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, 2019. Other amounts reported as deferred outflows of resources at September 30, 2019, related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 261,379
2021	135,940
2022	<u>(44,360)</u>
	<u>\$ 352,959</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

## CITY OF RICHLAND

### NOTES TO FINANCIAL STATEMENTS

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

Mortality rates were based on the Pub S.H-2010(B) Retiree Table with adjustments for Males and Females. The Projection Scale MP-2018 will be used to project future life expectancy.

The actuarial assumptions used in the June 30, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2018.

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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Allocation Percentage</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	27%	4.90%
International equity	22%	4.75%
Global	12%	5.00%
Fixed income	20%	1.50%
Real assets	10%	4.00%
Private equity	8%	6.25%
Cash	1%	0.25%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2019. 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 (17.40%).

**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.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
<b>Proportionate share of the net pension liability</b>	<b>\$ 19,359,310</b>	<b>\$ 14,727,121</b>	<b>\$ 10,903,664</b>

**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, 2019.

**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 2018 was 19.0 mills, all of which went to the General Fund.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 15, 2020, 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, 2019, the City had entered into various contracts to acquire and construct municipal facilities as follows:

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost incurred as of Sept. 30, 2019</u>	<u>Commitment outstanding as of Sept. 30, 2019</u>
Copper Lane Drainage Improvements	\$ 61,241	\$ -	\$ 61,241
Rehab WW Pump Station No. 1	129,820	-	129,820
Richland East Detention Basin	207,886	-	207,886
2019 Water Improvements	1,014,542	566,721	447,821

## **REQUIRED SUPPLEMENTARY INFORMATION**

(over)

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## CITY OF RICHLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Revisions	Final Budget	Total Actual	Variance
<b>REVENUES</b>					
Advalorem taxes	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 2,933,965	\$ (66,035)
Sales tax	5,740,000	-	5,740,000	6,309,075	569,075
Licenses and permits	132,000	194,000	326,000	345,531	19,531
Inter-governmental	98,487	-	98,487	53,297	(45,190)
Garbage fees	353,000	-	353,000	359,370	6,370
Fines and forfeits	400,000	-	400,000	395,154	(4,846)
Franchise tax	270,000	-	270,000	285,816	15,816
Interest	37,800	-	37,800	41,074	3,274
Grand Gulf	120,100	-	120,100	119,940	(160)
Drug seizure	861,000	(861,000)	-	-	-
Miscellaneous	1,037,700	(196,319)	841,381	794,777	(46,604)
Budgeted cash balance	666,138	61,680	727,818	-	(727,818)
Total revenue	<u>12,716,225</u>	<u>(801,639)</u>	<u>11,914,586</u>	<u>11,637,999</u>	<u>(276,587)</u>
<b>EXPENDITURES</b>					
General Government	956,267	85,000	1,041,267	920,221	121,046
Police Department	3,925,298	(631,760)	3,293,538	3,149,187	144,351
Court Services	541,003	-	541,003	455,760	85,243
EOC Department	10,000	-	10,000	5,909	4,091
Fire Department	2,921,790	38,371	2,960,161	2,877,960	82,201
Public Works	2,247,126	(41,300)	2,205,826	1,727,323	478,503
Planning and Development	321,667	(15,000)	306,667	255,929	50,738
Sanitation Department	334,535	-	334,535	341,942	(7,407)
Parks and Recreation	1,046,599	(263,711)	782,888	697,135	85,753
Library	74,200	-	74,200	29,508	44,692
Urban Programs	42,900	2,250	45,150	35,519	9,631
Community and Senior Srv	394,840	(5,000)	389,840	319,476	70,364
Total expenditures	<u>12,816,225</u>	<u>(831,150)</u>	<u>11,985,075</u>	<u>10,815,869</u>	<u>1,098,842</u>
Excess of revenues over (under) expenditures	(100,000)	29,511	(70,489)	822,130	822,255
Other financing sources (uses):					
Operating transfers out	-	-	-	(913,660)	913,660
Operating transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in Balance	-	29,511	29,511	8,470	1,735,915
Fund balance - Beginning	2,356,185	-	2,356,185	2,350,101	(6,084)
Fund balance - Ending	<u>\$ 2,356,185</u>	<u>\$ 29,511</u>	<u>\$ 2,385,696</u>	<u>\$ 2,358,571</u>	<u>\$ 1,729,831</u>

See accountants' report.

**CITY OF RICHLAND**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.083715%	0.085009%	0.079868%	0.074586%	0.073981%
City's proportionate share of the net pension liability \$	14,727,121	\$ 14,139,523	\$ 13,276,772	\$ 13,322,922	\$ 11,436,004
City's covered-employee payroll	\$ 5,658,534	\$ 5,427,924	\$ 5,223,028	\$ 4,897,659	\$ 4,597,873
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.26%	260.50%	254.20%	272.03%	248.72%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	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 measurement period was 3.72 for 2015, 3.48 for 2016, 3.37 for 2017, 3.9 for 2018 and 3.76 for 2019.

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 accountant's report.



**CITY OF RICHLAND**  
**SCHEDULE OF THE CITY'S CONTRIBUTION**  
**YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 891,219	\$ 854,899	\$ 822,627	\$ 771,381	\$ 724,165
Contributions in relation to the statutorily required contribution	891,219	854,899	822,627	771,381	724,165
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,658,534	\$ 5,427,924	\$ 5,223,028	\$ 4,897,689	\$ 4,597,873
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	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 accountant's report.

**CITY OF RICHLAND  
SCHEDULE OF THE CITY'S CONTRIBUTION  
YEAR ENDED SEPTEMBER 30, 2019**

Notes to schedule: (continued)

**Changes of Assumptions:**

**2019**

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PUBT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

**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.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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%.

See accountant's report.

## **SUPPLEMENTARY INFORMATION**

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT  
SEPTEMBER 30, 2019**

<b>General Obligation Bonds</b>	<b>Balance 09-30-18</b>	<b>Transactions During Fiscal Year</b>		<b>Balance 09-30-19</b>
		<b>Issued</b>	<b>Redeemed</b>	
<b>2008 \$2,025,000 general obligation refunding bonds</b>	<b>\$ 230,000</b>	<b>\$ -</b>	<b>\$ 230,000</b>	<b>\$ -</b>
<b>2010 \$1,900,000 unlimited general obligation refunding bonds</b>	<b>455,000</b>	<b>-</b>	<b>225,000</b>	<b>230,000</b>
<b>Total bonds payable</b>	<b>685,000</b>	<b>-</b>	<b>455,000</b>	<b>230,000</b>
<b>Loan/Lease Payable</b>				
<b>Central Mississippi Public Improvement Corporation - 3.17% building lease dated 12-27-13</b>	<b>632,244</b>	<b>-</b>	<b>632,244</b>	<b>-</b>
<b>Mississippi Department of Health 1.95% well #6 dated 6-15-15</b>	<b>805,033</b>	<b>-</b>	<b>39,876</b>	<b>765,157</b>
<b>Copiah Bank N.A. - 1.63% equipment lease dated 3-07-16</b>	<b>70,586</b>	<b>-</b>	<b>46,933</b>	<b>23,653</b>
<b>Bancorp South - 2.85% fire station loan dated 12-01-15</b>	<b>890,000</b>	<b>-</b>	<b>58,000</b>	<b>832,000</b>
<b>MS Department of Economic &amp; Community Development - 2.00% capital improvement loan 10-1-15</b>	<b>460,757</b>	<b>-</b>	<b>113,801</b>	<b>346,956</b>
<b>Copiah Bank N.A. - 1.81% equipment lease dated 1-23-17</b>	<b>25,962</b>	<b>-</b>	<b>19,412</b>	<b>6,550</b>
<b>Copiah Bank N.A. - 1.81% equipment lease dated 1-23-17</b>	<b>15,748</b>	<b>-</b>	<b>15,748</b>	<b>-</b>
<b>Trustmark Bank - 2.85% equipment lease dated 3-21-18</b>	<b>26,713</b>	<b>-</b>	<b>26,713</b>	<b>-</b>

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - PAGE 2  
SEPTEMBER 30, 2019**

<u>Loan/Lease Payable - Con't</u>	<u>Balance 09-30-18</u>	<u>Transactions During Fiscal Year</u>		<u>Balance 09-30-19</u>
		<u>Issued</u>	<u>Redeemed</u>	
Trustmark Bank - 2.85% equipment lease dated 3-21-18	\$ 29,989	\$ -	\$ 29,989	\$ -
Trustmark Bank - 2.90% equipment lease dated 1-5-18	637,114	-	60,320	576,794
Peoples bank - 2.79% equipment lease dated 4-4-18	24,312	-	9,212	15,100
Trustmark Bank - 3.26% equipment lease dated 7-17-18	25,289	-	8,661	16,628
BancorpSouth bank - 2.33% equipment lease dated 1-20-18	43,320	-	12,982	30,338
BancorpSouth bank - 2.24% equipment lease dated 12-19-17	23,025	-	10,090	12,935
Mississippi Development Auth. - 0.84% Firetruck lease dated 05-29-19	-	1,247,711	47,162	1,200,549
Trustmark Bank - 3.21% equipment lease dated 5-29-19	-	30,528	1,530	28,998
Trustmark Bank - 3.21% equipment lease dated 5-29-19	-	33,097	1,658	31,439
 Total loan/lease payable	 3,710,092	 1,311,336	 1,134,331	 3,887,097
Total long-term debt	\$ 4,395,092	\$ 1,311,336	\$ 1,589,331	\$ 4,117,097

See accountants' report.

# CITY OF RICHLAND

## SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS SEPTEMBER 30, 2019

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
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
Mindy Thurman	Deputy clerk	Western Surety	50,000
Barbara Adams	Deputy clerk	Western Surety	50,000
Sandra Yates	Deputy clerk	Western Surety	50,000
Sharon Holmes	Deputy Clerk	Western Surety	50,000
Pam Gregory	Deputy Clerk	Western Surety	50,000
Russell James	Chief of Police	Western Surety	50,000
Terry Aldridge	Assistant Chief of Police	Western Surety	50,000
Dalton McDonald	Assistant Chief of Police	Western Surety	50,000
Lorrie Neal	Police Dispatcher	Western Surety	50,000
Joseph Mullins	Police Dispatcher	Western Surety	50,000
Candice Talley	Part-time Dispatcher	Western Surety	50,000
Orlena Burk	Part-time Dispatcher	Western Surety	50,000
Nick McIendon	Captain/Flex Unit	Western Surety	50,000
Lee Drake	Chief Investigator	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
Melissa Lovorn	Deputy Court Clerk	Western Surety	50,000
Michael Furini	Deputy Court Clerk	Western Surety	50,000
Madison McCaleb	Deputy Court Clerk	Western Surety	50,000
Randall J. Walters	Deputy Court Clerk	Western Surety	50,000
James King	Asst Deputy Court Clerk	Western Surety	50,000
Jeremy Vertucci	GIS Coordinator	Western Surety	50,000
Chris Callicoatte	Operations Manager	Western Surety	50,000
Terri Wood	Events Coordinator	Western Surety	50,000
Cole Smith	Parks & Rec Director	Western Surety	50,000
Guy Smith	Asst Director Parks & Rec	Western Surety	50,000
Tammy Morgan	Parks & Rec Clerk	Western Surety	50,000
Kristina Jordan	Administrative Assistant	Western Surety	50,000
Edythe Johnson	Administrative Assistant	Western Surety	50,000
Jason Sutphin	Water Dept Manager	Western Surety	50,000
Caleb Pearson	Water Dept Asst Manager	Western Surety	50,000
Melissa Ashley	Permit Clerk	Western Surety	50,000
Blanket Bond		Western Surety	50,000

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b><u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u></b>	<b><u>Federal CDFA Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>Department of Health:</b>		
<b>Drinking Water Systems Improvements Revolving Loan Fund</b>	<b>66.468</b>	<b>\$ <u>935,092</u></b>
<b>Total expenditures of federal awards</b>		<b>\$ <u>935,092</u></b>

**See accompanying notes to schedule of expenditures of federal awards.**

## **CITY OF RICHLAND**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

#### **NOTE 1 – BASIS OF PRESENTATION**

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

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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

#### **NOTE 3 – INDIRECT COST RATE**

The City of Richland has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.



**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

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, 2019, and the related notes to the financial statements, which collectively comprise the City of Richland, Mississippi's basic financial statements and have issued our report thereon dated February 15, 2020.

### **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

The Honorable Mayor and  
Board of Aldermen  
City of Richland  
Page 2

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.

Ridgeland, Mississippi  
February 15, 2020

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

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

---

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

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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, 2019 and have issued our report dated February 15, 2020. 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.

**Ridgeland, Mississippi  
February 15, 2020**

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**City of Richland  
Richland, Mississippi**

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

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WWW.LYLEWALKER.COM

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

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

Ridgeland, Mississippi  
February 15, 2020



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## **CITY OF RICHLAND**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

#### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Richland.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Reports.
3. No instances of noncompliance material to the financial statements of City of Richland were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Reports.
5. The auditor's report on compliance for the major federal award programs for City of Richland expresses an unqualified opinion.
6. The audit disclosed no audit findings, which are required to be reported under *Government Auditing Standards*.
7. The program tested as a major program was Mississippi State Department of Health's Drinking Water Systems Improvements Revolving Loan Fund, CFDA Number 66.468.
8. The threshold used for distinguished between Type A and B programs was \$300,000.
9. City of Richland was determined to be a low-risk auditee.

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings relating to the financial statements which are required to be reported under *Government Auditing Standards*.

#### **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AWARD**

There were no findings relating to major federal award program compliance or questioned costs.