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CITY OF RICHLAND
AUDITED FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020

CITY OF RICHLAND

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INDEPENDENT AUDITORS' REPORT

Lyle, Walker & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of and for the year ended September 30, 2020, 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.

Opinion

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, 2020 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

**The Honorable Mayor and
Board of Aldermen
City of Richland
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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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, 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.

Lyle Walker & Co., P.A.

**Ridgeland, Mississippi
February 5, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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***City of Richland, Mississippi
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020***

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, 2020. 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 \$17,584,702 (net position) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$18,884,742 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 \$336,532 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws or regulations.
- (3) Unrestricted net position of (\$1,636,572) represents 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 \$11,747,615 this year. This compares to the prior year ending fund balance of \$4,698,422 showing an increase of \$7,049,193 during the year.

At the end of the current fiscal year, fund balance on a budgetary basis for the General Fund was \$3,436,456 or 33% of total General Fund expenditures excluding transfers in and 33% of total General Fund revenues including transfers out.

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" and "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 \$17,584,702. The following table provides a summary of the City's net assets for the fiscal year ended September 30, 2020:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets	\$ 15,052,705	\$ 2,662,383	\$ 17,715,088
Capital assets	15,339,172	15,920,914	31,260,086
Deferred Outflows related to Pension	1,065,348	81,791	1,147,139
Total assets	<u>31,457,225</u>	<u>18,665,088</u>	<u>50,122,313</u>
Long-term liabilities	23,746,308	4,313,687	28,059,995
Other liabilities	899,554	695,653	1,595,207
Total liabilities	<u>24,645,862</u>	<u>5,009,340</u>	<u>29,655,202</u>
Deferred inflows related to pension	<u>2,868,555</u>	<u>13,854</u>	<u>2,882,409</u>
Net Position:			
Invested in capital assets net of related debt	6,256,953	12,627,789	18,884,742
Debt restricted for debt service	336,532	-	336,532
Unrestricted	<u>(2,650,677)</u>	<u>1,014,105</u>	<u>(1,636,572)</u>
Total net position	<u>\$ 3,942,808</u>	<u>\$ 13,641,894</u>	<u>\$ 17,584,702</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	\$ -	\$ 2,870,018	\$ 2,870,018
General revenues			
Ad valorem taxes	2,808,931	-	2,808,931
Sales tax	6,681,897	-	6,681,897
Licenses and permits	213,452	-	213,452
Intergovernmental revenues	40,926	-	40,926
Garbage fees	368,179	-	368,179
Fines and forfeits	425,909	-	425,909
Franchise tax	286,027	-	286,027
Interest	117,728	32,217	149,945
Grand Gulf	118,853	-	118,853
Drug Seizure	123,730	-	123,730
Miscellaneous	996,972	-	996,972
Assessments	189,818	-	189,818
Transfers	100,000	(100,000)	-
Total Revenues	<u>12,472,422</u>	<u>2,802,235</u>	<u>15,274,657</u>
Expenses			
General Government	859,927	-	859,927
Police Department	3,153,117	-	3,153,117
Court Services	432,262	-	432,262
EOC Department	1,657	-	1,657
Fire Department	2,450,371	-	2,450,371
Street Department	1,560,597	-	1,560,597
Planning & Development	255,947	-	255,947
Sanitation Department	348,239	-	348,239
Parks & Recreation	816,333	-	816,333
Library	28,411	-	28,411
Urban Programs	29,458	-	29,458
Community & Senior Services	317,758	-	317,758
Depreciation & Transfer	1,668,204	-	1,668,204
Net Interest	6,525	-	6,525
Pension Expense	807,853	-	807,853
Water & Sewer	-	2,953,710	2,953,710
Total Expenses	<u>12,736,659</u>	<u>2,953,710</u>	<u>15,490,988</u>
Change in net position	(264,237)	(151,475)	(415,712)
Beginning net position	<u>4,207,045</u>	<u>13,793,369</u>	<u>18,000,414</u>
Ending net position	<u>\$ 3,942,808</u>	<u>\$ 13,641,894</u>	<u>\$ 17,584,702</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, outflows, 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 \$11,747,615. Of this year-end total \$2,646,863 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include \$336,532 restricted for debt service.

The total ending fund balances of governmental funds show an increase of \$7,049,193 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 \$1,077,885 during the fiscal year ended September 30, 2020.

The debt service fund has a total fund balance of \$336,532, all of which is restricted 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 \$13,641,894. Operating revenues totaled \$2,870,018 and operating expenses totaled \$2,873,279 resulting in operating income of (\$3,261). After non-operating expenses of (\$48,214), the change in net assets in the proprietary fund was a loss of \$137,259.

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended September 30, 2020 was \$12,357,317.

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 decrease of \$130,964. This decrease can be briefly summarized as follows:

- Revenue decreased by a total of \$102,890 largely due to the COVID pandemic.
- Expenditures increased by a total of \$28,074 due to projects performed by the Public Works and the Parks and Recreation 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, 2020, was \$31,142,265 and \$30,010,204 respectively, resulting in the total capital assets of \$61,152,469. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2020, was \$31,284,010 (\$17,194,721 for government-type activities and \$14,089,289 for business-type activities). The balance in total net capital assets was \$29,868,459.

Debt Administration: At September 30, 2020, the City of Richland had \$12,375,344 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, capital improvement revolving loans and loans/leases.

A 2% Food and Beverage Tax was levied pursuant to Mississippi Legislature House Bill 1521 on October 1, 2018, and voted on July 24, 2018, by the Citizens of Richland 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. On August 18, 2020 the City secured a bond with the moneys generated by this special tax in the amount of \$6,283,000 to provide the funds needed to build a Multipurpose Recreational Building, put an addition on the Senior Services Building, and to construct other park enhancements.

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 \$19,315,770.

Additional information on the City’s long-term debt can be found on pages 25 and page 28 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 and voted by the citizens of Richland on July 24, 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. On August 18, 2020 the City secured a bond with the moneys generated by this special tax in the amount of \$6,283,000 to provide the funds needed to build a Multipurpose Recreational Building, put an addition on the Senior Services Building, and to construct other park enhancements.

A 3% Hotel and Motel Tax was levied pursuant to Mississippi Legislature House Bill 1520 on October 1, 2018 and voted on July 24, 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 for future needs in the Parks and Recreation Department.

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 installed new water lines and meters to provide better services to our citizens. We are rehabbing sewer lines and lift stations to stop infiltration which will provide lower costs to our citizens.

7. *Highway 49 Expansion:*

The City will be working with the Mississippi Department of Transportation to develop the Highway 49 expansion through the City for the next few years.

8. *Streets Department:*

The City is working to clean out ditches and replace culverts to aid in drainage. There is also currently an ongoing project to extend Spell Drive to Oriole Avenue to upgrade the flow of school bus traffic at Richland Elementary School, as well as an annual list of streets in need of overlay and upgrade.

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.

BASIC FINANCIAL STATEMENTS

CITY OF RICHLAND

**STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,459,100	\$ 2,137,510	\$ 13,596,610
Receivables (net of uncollectible amounts)	3,257,074	259,690	3,516,764
Restricted cash and cash equivalents	336,531	265,183	601,714
Capital assets:			
Land and buildings	14,249,060	87,060	14,336,120
Improvements	8,560,887	28,677,669	37,238,556
Machinery and equipment	9,723,946	1,245,474	10,969,420
Accumulated depreciation	(17,194,721)	(14,089,289)	(31,284,010)
Total assets	<u>30,391,877</u>	<u>18,583,297</u>	<u>48,975,174</u>
Deferred outflows related to pension	<u>1,065,348</u>	<u>81,791</u>	<u>1,147,139</u>
<u>LIABILITIES</u>			
Accounts payable	181,722	265,451	447,173
Customer deposits	-	266,625	266,625
Accrued salaries	95,692	8,371	104,063
Noncurrent liabilities:			
Due within one year	622,140	155,206	777,346
Due within more than one year	8,460,079	3,137,919	11,597,998
Accrued vacation pay	344,073	28,599	372,672
Net pension liability	14,942,156	1,147,169	16,089,325
Total liabilities	<u>24,645,862</u>	<u>5,009,340</u>	<u>29,655,202</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,688,101	-	2,688,101
Deferred inflows related to pensions	180,454	13,854	194,308
	<u>2,868,555</u>	<u>13,854</u>	<u>2,882,409</u>
<u>NET POSITION</u>			
Net investment in capital assets	6,256,953	12,627,789	18,884,742
Restricted: Debt service	336,532	-	336,532
Expendable: Unrestricted	(2,650,677)	1,014,105	(1,636,572)
Total net position	<u>\$ 3,942,808</u>	<u>\$ 13,641,894</u>	<u>\$ 17,584,702</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES				Net (Expense) Revenue
		Charges for Services	Grants and contributions			
			Operating	Capital		
Governmental activities:						
General government	\$ (859,927)	\$ -	\$ -	\$ -	\$ (859,927)	
Police Department	(3,153,117)	-	-	-	(3,153,117)	
Court Services	(432,262)	-	-	-	(432,262)	
EOC Department	(1,657)	-	-	-	(1,657)	
Fire Department	(2,450,371)	-	-	-	(2,450,371)	
Street Department	(1,560,597)	-	-	-	(1,560,597)	
Planning and Development	(255,947)	-	-	-	(255,947)	
Sanitation Department	(348,239)	-	-	-	(348,239)	
Parks and Recreation	(816,333)	-	-	-	(816,333)	
Library	(28,411)	-	-	-	(28,411)	
Urban Programs	(29,458)	-	-	-	(29,458)	
Community and Senior Srv	(317,758)	-	-	-	(317,758)	
Depreciation and transfer	(1,668,204)	-	-	-	(1,668,204)	
Other interest	(6,525)	-	-	-	(6,525)	
Pension expense	(807,853)	-	-	-	(807,853)	
Total governmental activities	(12,736,659)	-	-	-	(12,736,659)	
Business-type activities:						
Water and sewer	(2,953,710)	2,870,018	-	-	(83,692)	
Total primary government	\$ (15,690,369)	\$ 2,870,018	\$ -	\$ -	\$ (12,820,351)	

Continued

See accompanying notes to the financial statements.

CITY OF RICHLAND

STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Change in Net Position:			
Net revenue (expense)	\$ (12,736,659)	\$ (83,692)	\$ (12,820,351)
GENERAL REVENUES			
Advalorem taxes	2,808,931	-	2,808,931
Sales tax	6,681,897	-	6,681,897
Licenses and permits	213,452	-	213,452
Intergovernmental revenues	40,926	-	40,926
Garbage fees	368,179	-	368,179
Fines and forfeits	425,909	-	425,909
Franchise tax	286,027	-	286,027
Interest	117,728	32,217	149,945
Grand Gulf	118,853	-	118,853
Drug Seizure	123,730	-	123,730
Miscellaneous	996,972	-	996,972
Assessments	189,818	-	189,818
Total revenue	12,372,422	32,217	12,404,639
TRANSFERS:			
Operating in	100,000	-	100,000
Operating out	-	(100,000)	(100,000)
Total general revenues and transfers	12,472,422	(67,783)	12,404,639
Change in net position	(264,237)	(151,475)	(415,712)
Net position - beginning	4,207,045	13,793,369	18,000,414
Net position - ending	\$ 3,942,808	\$ 13,641,894	\$ 17,584,702

See accompanying notes to the financial statements.

CITY OF RICHLAND

BALANCE SHEET

**GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash				
Cash on hand	\$ 7,700	\$ -	\$ -	\$ 7,700
Cash on deposit	3,521,325	336,531	7,930,075	11,787,931
	<u>3,529,025</u>	<u>336,531</u>	<u>7,930,075</u>	<u>11,795,631</u>
Receivables				
Other	-	25,801	-	25,801
Due from other governments	<u>540,839</u>	<u>-</u>	<u>44,552</u>	<u>585,391</u>
Total assets	<u>\$ 4,069,864</u>	<u>\$ 362,332</u>	<u>\$ 7,974,627</u>	<u>\$ 12,406,823</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 181,722	\$ -	\$ -	\$ 181,722
Accrued salaries	95,692	-	-	95,692
Accrued vacation pay	339,575	-	-	339,575
Total liabilities	<u>616,989</u>	<u>-</u>	<u>-</u>	<u>616,989</u>
Deferred inflows of resources				
Unearned revenue	<u>16,419</u>	<u>25,800</u>	<u>-</u>	<u>42,219</u>
Fund Balances				
Restricted for debt service	-	336,532	-	336,532
Other restricted funds	17,880	-	7,372,511	7,390,391
Nonspendable for drug seizure	-	-	602,116	602,116
Committed for general fund	771,713	-	-	771,713
Unassigned	2,646,863	-	-	2,646,863
Total fund balances	<u>3,436,456</u>	<u>336,532</u>	<u>7,974,627</u>	<u>11,747,615</u>
Total liabilities and fund balances	<u>\$ 4,069,864</u>	<u>\$ 362,332</u>	<u>\$ 7,974,627</u>	<u>\$ 12,406,823</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, 2020

Total fund balance - total governmental funds **\$ 11,747,615**

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

**Capital assets of \$32,533,893, net of accumulated depreciation of
\$17,194,721, are not financial resources and, therefore
are not reported in the funds** **15,339,172**

Pension Obligations:

**Pension obligations are not due and payable in
the current period and, therefore, are not reported
in the funds.**

Net pension liability **\$ (14,942,156)**

**Deferred outflows and inflows of resources related
to pensions obligations are applicable to future
periods and, therefore, are not reported in the funds.**

Deferred outflows related to pension	1,065,348	
Deferred inflows related to pension	(180,454)	(14,057,262)

GAAP to Budgetary conversion **1,164**

Reversal of prior year conversion entry **(5,662)**

Notes and bonds payable are not included in the funds **(9,082,219)**

Net position of governmental activities **\$ 3,942,808**

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, 2020**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Advalorem taxes	\$ 2,808,930	\$ -	\$ -	\$ 2,808,930
Sales tax	6,210,555	-	471,342	6,681,897
Licenses and permits	213,452	-	-	213,452
Inter-governmental revenues	40,926	-	-	40,926
Garbage fees	368,179	-	-	368,179
Fines and forfeits	425,909	-	-	425,909
Franchise tax	286,027	-	-	286,027
Interest	45,042	48,716	23,970	117,728
Grand Gulf	118,852	-	-	118,852
Drug seizure	-	-	123,730	123,730
Miscellaneous	846,146	189,818	150,828	1,186,792
Total revenue	<u>11,364,018</u>	<u>238,534</u>	<u>769,870</u>	<u>12,372,422</u>
<u>EXPENDITURES</u>				
General Government	859,840	-	-	859,840
Police Department	3,113,082	-	101,843	3,214,925
Court Services	432,094	-	-	432,094
EOC Department	1,657	-	-	1,657
Fire Department	2,697,353	-	-	2,697,353
Public Works	1,784,663	-	-	1,784,663
Planning and development	260,152	-	-	260,152
Sanitation Department	348,239	-	-	348,239
Parks and Recreation	585,494	-	677,877	1,263,371
Library	28,411	-	-	28,411
Urban Programs	29,458	-	-	29,458
Community and Senior Srv	321,343	-	-	321,343
Debt service - Principal	-	230,000	-	230,000
Debt service - Interest	-	4,025	-	4,025
Other	-	2,500	228,198	230,698
Total expenditures	<u>10,461,786</u>	<u>236,525</u>	<u>1,007,918</u>	<u>11,706,229</u>
Excess of revenues/expenditures	<u>902,232</u>	<u>2,009</u>	<u>(238,048)</u>	<u>666,193</u>
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	6,283,000	6,283,000
Operating transfers in (out)	175,653	(75,653)	-	100,000
Net change in Fund Balance	<u>1,077,885</u>	<u>(73,644)</u>	<u>6,044,952</u>	<u>7,049,193</u>
Fund balance - Beginning	<u>2,358,571</u>	<u>410,176</u>	<u>1,929,675</u>	<u>4,698,422</u>
Fund balance - Ending	<u>\$ 3,436,456</u>	<u>\$ 336,532</u>	<u>\$ 7,974,627</u>	<u>\$ 11,747,615</u>

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, 2020

Net change in fund balances - total government funds	\$	7,049,193
Amounts reported for governmental activities in the statement of activities are different because:		
Revenue and expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as revenue and expenditures in governmental funds.		1,164
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.		(776,462)
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.		(5,730,279)
Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recognition of pension expense for the current year	\$	(1,055,285)
Contributions made after the measurement date		247,432
		<u>(807,853)</u>
Change in net position of governmental activities	\$	<u>(264,237)</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

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

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,137,510
Accounts receivable (net of uncollectible allowance)	259,690
Total current assets	<u>2,397,200</u>

Noncurrent assets:

Restricted cash and cash equivalents:

Customer deposits	<u>265,183</u>
Total restricted assets	<u>265,183</u>

Capital assets:

Land	87,060
Improvements	28,677,669
Machinery and equipment	1,245,474
Accumulated depreciation	<u>(14,089,289)</u>
Total capital assets	<u>15,920,914</u>

Total noncurrent assets	<u>16,186,097</u>
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Total assets	<u>18,583,297</u>
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Deferred outflows of resources:

Deferred outflows related to pensions	<u>81,791</u>
Total deferred outflows of resources	<u>81,791</u>

See accompanying notes to the financial statements.

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

LIABILITIES

Current liabilities:

Accounts payable	\$ 265,451
Customer deposits	266,625
Accrued salaries	8,371
Current portion of long term debt	<u>155,206</u>
Total current liabilities	<u>695,653</u>

Noncurrent liabilities:

Notes payable	3,137,919
Accrued vacation pay	28,599
Net pension liability	<u>1,147,169</u>
Total noncurrent liabilities	<u>4,313,687</u>

Total liabilities	<u>5,009,340</u>
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Deferred inflows of resources:

Deferred inflows related to pensions	<u>13,854</u>
Total deferred inflows of resources	<u>13,854</u>

NET POSITION

Net investments in capital assets	12,627,789
Unrestricted	<u>1,014,105</u>
Total net position	<u>\$ 13,641,894</u>

CITY OF RICHLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds Water & Sewer
OPERATING REVENUES	
Charges for services	\$ 1,781,450
Service charges and other	1,088,568
Total operating revenue	<u>2,870,018</u>
OPERATING EXPENSES	
Personnel services	557,069
Supplies and materials	229,962
Sewer treatment	621,576
Depreciation	811,308
Pension expense	186,888
Other	466,476
Total operating expenses	<u>2,873,279</u>
Operating income	<u>(3,261)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	32,217
Interest expense	(80,431)
Total nonoperating expense	<u>(48,214)</u>
NET INCOME (LOSS)	(51,475)
Transfer to general fund	<u>(100,000)</u>
NET INCOME (LOSS) AFTER TRANSFERS	(151,475)
NET POSITION - BEGINNING OF YEAR	<u>13,793,369</u>
NET POSITION - END OF YEAR	<u>\$ 13,641,894</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,923,884
Cash payments for goods and services	(1,386,640)
Cash payments to employees	(553,691)
Deferred inflows	2,687
Deferred outflows	(33,687)
Net cash provided by operating activities	<u>952,553</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Appropriations to restricted cash	(14,915)
Payments on long term debt	(133,977)
Proceeds from long term debt	23,296
Transfer to general fund	(100,000)
Net cash provided by capital and related financing activities	<u>(225,596)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment from unrestricted cash	<u>(2,303,949)</u>
Net cash used in investing activities	<u>(2,303,949)</u>
 NET DECREASE IN CASH	(1,576,992)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,714,502</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>2,137,510</u></u>
 SUPPLEMENTAL DISCLOSURES	
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, 2020

PAGE TWO

	Business-type Activities - Enterprise Funds Water & Sewer
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net income (loss)	\$ (51,475)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	811,308
Changes in:	
Receivables	53,866
Deferred inflows	2,687
Deferred outflows	(33,687)
Payables and accrued liabilities	(48,034)
Net pension liability	217,888
Net cash provided by operating activities	\$ <u>952,553</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.

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, 2020.

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, 2020, was as follows:

	Capital Assets 9-30-19	Additions	Deductions	Capital Assets 9-30-20
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ <u>1,391,628</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,391,628</u>
Other capital assets				
General	2,287,825	2,662	(13,114)	2,277,373
Police protection	7,964,675	10,754	-	7,975,429
Fire protection	5,113,827	6,140	-	5,119,967
Public Works	9,179,694	160,900	(1,627)	9,338,967
Planning	100,663	983	(2,854)	98,792
Emergency Operations Center	208,081	-	-	208,081
Parks	5,065,722	542,868	(375)	5,608,215
Library	515,441	-	-	515,441
Total other capital assets	<u>30,435,928</u>	<u>724,307</u>	<u>(17,970)</u>	<u>31,142,265</u>
Total other capital assets at historical cost	<u>31,827,556</u>	<u>724,307</u>	<u>(17,970)</u>	<u>32,533,893</u>
Less accumulated depreciation for:				
General	(1,072,584)	(66,232)	13,114	(1,125,702)
Police protection	(3,064,613)	(384,212)	-	(3,448,825)
Fire protection	(2,039,004)	(411,196)	-	(2,450,200)
Public Works	(6,273,908)	(449,179)	1,627	(6,721,460)
Planning	(100,093)	(734)	2,854	(97,973)
Emergency Operations Center	(203,502)	(3,053)	-	(206,555)
Parks	(2,672,147)	(173,844)	375	(2,845,616)
Library	(286,071)	(12,319)	-	(298,390)
Total accumulated depreciation	<u>(15,711,922)</u>	<u>(1,500,769)</u>	<u>17,970</u>	<u>(17,194,721)</u>
Governmental activities capital assets, net	\$ <u><u>16,115,634</u></u>	\$ <u><u>(776,462)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>15,339,172</u></u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Capital Assets 9-30-19	Additions	Deductions	Capital Assets 9-30-20
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 87,060	\$ -	\$ -	\$ 87,060
Other capital assets				
Improvements	25,910,997	2,128,395	-	28,039,392
Machinery and equipment	1,717,527	175,555	(9,330)	1,883,752
Total other capital assets	<u>27,628,524</u>	<u>2,303,950</u>	<u>(9,330)</u>	<u>29,923,144</u>
Total capital assets at historical cost	<u>27,715,584</u>	<u>2,303,950</u>	<u>(9,330)</u>	<u>30,010,204</u>
Less accumulated depreciation for:				
Improvements	(12,218,478)	(667,636)	-	(12,886,114)
Machinery and equipment	<u>(1,068,833)</u>	<u>(143,672)</u>	<u>9,330</u>	<u>(1,203,175)</u>
Total accumulated depreciation	<u>(13,287,311)</u>	<u>(811,308)</u>	<u>9,330</u>	<u>(14,089,289)</u>
Business-Type activities capital assets, net	\$ <u>14,428,273</u>	\$ <u>1,492,642</u>	\$ <u>-</u>	\$ <u>15,920,915</u>

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

Governmental activities	
General	\$ 66,232
Police protection	384,212
Fire protection	411,196
Public Works	449,179
Planning	734
Emergency Operations Center	3,053
Parks	173,844
Library	<u>12,319</u>
	\$ <u>1,500,769</u>
Business- type activities	
Improvements	\$ 667,636
Machinery and equipment	<u>143,672</u>
	\$ <u>811,308</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Bonds and notes payable at September 30, 2020, are comprised of:

GOVERNMENTAL ACTIVITIES

BONDS:

General Obligation bonds:

Mississippi Development Bank \$6,283,000 series 2020 Special Obligation bearing interest payable semi-annually at 1.99 percent. The city issued this debt to provide funds for the purpose of a recreation project.	\$	<u>6,283,000</u>
	\$	<u>6,283,000</u>

NOTES PAYABLE:

BancorpSouth lease for a fire station. Interest rate of 2.85%, principal and interest payable semi-annual, maturing 12-01-2030.	\$	773,000
MS Department of Economic & Community Development for fire truck. 2% note dated 10-01-15, payable over 10 years.		284,260
Trustmark Bank note for Parks equipment. Interest rate of 2.90%, principal and interest payments of \$6,500 payable monthly, maturing 1/05/2028.		514,701
Mississippi Development Authority for fire truck. Interest rate of 2.00%, principal and interest payments of \$11,481 monthly, maturing 4/1/2029.		1,085,744
Trustmark Bank note for a vehicle. Interest rate of 3.21%, principal and interest payments of \$893 payable monthly, maturing 7/03/2022.		19,062
Trustmark Bank note for a vehicle. Interest rate of 3.22%, principal and interest payments of \$969 payable monthly, maturing 7/03/2022.		20,669
Regions Bank note for a New Holland tractor. Interest rate of 2.07%, principal and interest payments of \$3,375 payable monthly, maturing 4/22/2023.		<u>101,783</u>
	\$	<u>2,799,219</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

	<u>Due within one year</u>	<u>Due in more than one year</u>	<u>Total</u>
Bonds	\$ 256,000	\$ 6,027,000	\$ 6,283,000
Notes payable	<u>366,140</u>	<u>2,433,079</u>	<u>2,799,219</u>
Total	<u>\$ 622,140</u>	<u>\$ 8,460,079</u>	<u>\$ 9,082,219</u>

BUSINESS-TYPE ACTIVITIES

NOTES 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.	\$ 724,496
Mississippi Department of Health loan for construction of well #7, elevated tank and distribution, interest rat 1.95 percent, principal and interest payments of \$13,589 payable monthly through the year 2039. Water and sewer department.	<u>2,568,629</u>
	<u>\$ 3,293,125</u>
Due within one year	\$ 155,206
Due within more than one year	<u>3,137,919</u>
Total	<u>\$ 3,293,125</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, 2020:

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>
2021	\$ 256,000	\$ -	\$ 366,140	\$ 161,981	\$ 784,121
2022	234,000	-	371,450	174,829	780,279
2023	239,000	-	343,659	161,657	744,316
2024	243,000	-	327,993	149,093	720,086
2025	248,000	-	287,201	138,629	673,830
Years Thereafter	<u>5,063,000</u>	<u>-</u>	<u>1,102,776</u>	<u>998,463</u>	<u>7,164,239</u>
	<u>\$ 6,283,000</u>	<u>\$ -</u>	<u>\$ 2,799,219</u>	<u>\$ 1,784,652</u>	<u>\$ 10,866,871</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>
2021	\$ -	\$ -	\$ 155,206	\$ 63,084	\$ 218,290
2022	-	-	158,260	60,030	218,290
2023	-	-	161,373	56,916	218,289
2024	-	-	164,548	53,741	218,289
2025	-	-	167,787	50,504	218,291
Years Thereafter	<u>-</u>	<u>-</u>	<u>2,485,951</u>	<u>336,619</u>	<u>2,822,570</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,293,125</u>	<u>\$ 620,894</u>	<u>\$ 3,914,019</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, 2020:

Authorized Debt Limit	<u>15 Percent</u>
Assessed valuation for fiscal year then ended September 30, 2020 (128,771,800)	\$ 19,315,770
Present debt subject to 15 percent limitation	<u>6,283,000</u>
Margin for further indebtedness (under 15 percent limitation)	\$ <u>13,032,770</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, 2020 was 17.40% 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, 2020, contributions to the pension plan from the City were \$954,094.

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

At September 30, 2020 the City reported a liability of \$16,089,325, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, relative to the total employer contributions of participating employers to PERS. At June 30, 2020, 2019, 2018, 2017, 2016 and 2015, the City's proportion was 0.083111%, 0.083715%, 0.085009%, 0.079868%, 0.074586% and 0.073981%, respectively.

For the year ended September 30, 2020, the City recognized pension expense of \$795,360. At September 30, 2020, 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>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 98,522	\$ -
Difference between projected and actual experience	681,471	-
Changes in proportion share	119,714	(194,308)
Contributions subsequent to the measurement date	247,432	-
	<u>\$ 1,147,139</u>	<u>\$ (194,308)</u>

At September 30, 2020, the City reported \$247,432, 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, 2020. Other amounts reported as deferred outflows of resources at September 30, 2020, related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ 84,491
2022	264,791
2023	197,950
2024	158,167
	<u>\$ 705,399</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 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, 2020 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, 2020, 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%	0.50%
Real assets	10%	4.00%
Private equity	8%	6.25%
Cash	1%	0.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2020. 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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 20,825,653	\$ 16,089,325	\$ 12,179,949

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, 2020.

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 Authority 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 2019 was 19.0 mills, all of which went to the General Fund.

NOTE 11 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The government activities' unrestricted net position (deficit) amount of (\$1,437,191) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$247,432, resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$899,707 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION (CONTINUED)

pension expense over the next 4 years. The \$194,308 balance of the deferred inflow of resources related to pension at September 30, 2020 will be recognized in the pension expense over the next year.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 5, 2021, which is the date the financial statements were available to be issued.

NOTE 13 - CONTRACT COMMITMENTS

At September 30, 2020, 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, 2020</u>	<u>Commitment Outstanding as of Sept. 30, 2020</u>
Spell Drive Extension	\$ 494,927	\$ 168,601	\$ 326,326
Parks & Recreation Center	\$ 4,603,673	\$ -	\$ 4,603,673

NOTE 14 – COVID-19 Pandemic

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19 disease, the City has been forced to alter its normal operations. Continued uncertainties could negatively affect the basis financial statements. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHLAND

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
(NON-GAAP BASIS) - GENERAL FUND - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance</u>
REVENUES					
Advalorem taxes	\$ 3,050,000	\$ (170,000)	\$ 2,880,000	\$ 2,808,930	\$ (71,070)
Sales tax	6,200,000	(335,000)	5,865,000	6,210,555	345,555
Licenses and permits	325,000	(150,000)	175,000	213,452	38,452
Inter-governmental	92,500	(18,624)	73,876	40,926	(32,950)
Garbage fees	368,000	(1,000)	367,000	368,179	1,179
Fines and forfeits	452,000	(50,000)	402,000	425,909	23,909
Franchise tax	310,000	-	310,000	286,027	(23,973)
Interest	40,000	-	40,000	45,042	5,042
Grand Gulf	120,000	(1,150)	118,850	118,852	2
Miscellaneous	565,750	563,197	1,128,947	846,146	(282,801)
Budgeted cash balance	918,357	59,687	978,044	-	(978,044)
Total revenue	<u>12,441,607</u>	<u>(102,890)</u>	<u>12,338,717</u>	<u>11,364,018</u>	<u>(974,699)</u>
EXPENDITURES					
General Government	1,019,214	(27,376)	991,838	859,840	131,998
Police Department	3,275,820	(12,400)	3,263,420	3,113,082	150,338
Court Services	531,860	(54,300)	477,560	432,094	45,466
EOC Department	10,000	(6,600)	3,400	1,657	1,743
Fire Department	2,954,068	(79,400)	2,874,668	2,697,353	177,315
Public Works	2,604,145	225,000	2,829,145	1,784,663	1,044,482
Planning and Development	328,800	(28,832)	299,968	260,152	39,816
Sanitation Department	368,000	(10,000)	358,000	348,239	9,761
Parks and Recreation	707,876	56,182	764,058	585,494	178,564
Library	72,800	(2,000)	70,800	28,411	42,389
Urban Programs	36,900	(1,000)	35,900	29,458	6,442
Community and Senior Srv	419,760	(31,200)	388,560	321,343	67,217
Total expenditures	<u>12,329,243</u>	<u>28,074</u>	<u>12,357,317</u>	<u>10,461,786</u>	<u>1,895,531</u>
Excess of revenues over (under) expenditures	112,364	(130,964)	(18,600)	902,232	920,832
Other financing sources:					
Operating transfers out	-	-	-	-	-
Operating transfers in	100,000	-	100,000	175,653	75,653
Net change in Fund Balance	<u>212,364</u>	<u>(130,964)</u>	<u>81,400</u>	<u>1,077,885</u>	<u>996,485</u>
Fund balance - Beginning	<u>2,385,696</u>	<u>-</u>	<u>2,385,696</u>	<u>2,358,571</u>	<u>(27,125)</u>
Fund balance - Ending	<u>\$ 2,598,060</u>	<u>\$ (130,964)</u>	<u>\$ 2,467,096</u>	<u>\$ 3,436,456</u>	<u>\$ 969,360</u>

See the notes to the required supplementary information.

CITY OF RICHLAND
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2020

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.083111%	0.083715%	0.085009%	0.079868%	0.074586%	0.073981%
City's proportionate share of the net pension liability \$	16,089,325	\$ 14,727,121	\$ 14,139,523	\$ 13,276,772	\$ 13,322,922	\$ 11,436,004
City's covered payroll	\$ 6,057,737	\$ 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 payroll	265.60%	260.26%	260.50%	254.20%	272.03%	248.72%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

Notes to Schedule:

Information above is presented as of the measurement date.

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 the notes to the required supplementary information.

CITY OF RICHLAND
SCHEDULE OF THE CITY'S CONTRIBUTIONS - PERS - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2020

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 954,094	\$ 891,219	\$ 854,899	\$ 822,627	\$ 771,381	\$ 724,165
Contributions in relation to the contractually required contribution	954,094	891,219	854,899	822,627	771,381	724,165
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,483,298	\$ 5,658,534	\$ 5,427,924	\$ 5,223,028	\$ 4,897,689	\$ 4,597,873
Contributions as a percentage of covered payroll	17.40%	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.

See the notes to the required supplementary information.

CITY OF RICHLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to ensuing fiscal year beginnings each October 1, the Board of Aldermen, using historical and anticipated fiscal data and proposed budgets submitted by the respective departments, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of the Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

Basis of Presentation

The Budgetary Comparison Schedule-Budget and Actual (Non-GAAP Basis) presents the originally legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule-Budget and Actual (Non- GAAP Basis) is a part of required supplementary information.

Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	General Fund
Budget (Cash Basis)	\$ 1,077,885
Increase (Decrease):	
Net adjustments for revenue accruals	-
Net adjustments for expenditure accruals	-
GAAP Basis	\$ <u>1,077,885</u>

CITY OF RICHLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Pension Schedules

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%.

CITY OF RICHLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Changes of Assumptions: (continued)

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate - of - return assumptions were changed from 3.50% to 3.00% and 8% to 7.75%, respectively.

Change in Benefit Provisions:

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by The Wall Street Journal on December 31 of each proceeding year, with a minimum rate of 1% and a maximum rate of 5%.

OTHER INFORMATION

CITY OF RICHLAND

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - UNAUDITED
SEPTEMBER 30, 2020**

General Obligation Bonds	Balance 09-30-19	Transactions During Fiscal Year		Balance 09-30-20
		Issued	Redeemed	
2010 \$1,900,000 unlimited general obligation refunding bonds	\$ 230,000	\$ -	\$ 230,000	\$ -
2020 \$6,283,000 special obligation bond, recreation project	-	6,283,000	-	6,283,000
Total bonds payable	230,000	6,283,000	230,000	6,283,000
Loan Payable				
Mississippi Department of Health 1.95% well #6 dated 6-15-15	765,157	-	40,661	724,496
Copiah Bank N.A. - 1.63% equipment loan dated 3-07-16	23,653	-	23,653	-
Bancorp South - 2.85% fire station loan dated 12-01-15	832,000	-	59,000	773,000
MS Department of Economic & Community Development - 2.00% capital improvement loan 10-1-15	346,956	-	62,696	284,260
Copiah Bank N.A. - 1.81% equipment loan dated 1-23-17	6,550	-	6,550	-
Trustmark Bank - 2.90% equipment loan dated 1-5-18	576,794	-	62,093	514,701
Peoples bank - 2.79% equipment loan dated 4-4-18	15,100	-	15,100	-
Trustmark Bank - 3.26% equipment loan dated 7-17-18	16,628	-	16,628	-

See accountants' report.

CITY OF RICHLAND

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - UNAUDITED - PAGE 2
SEPTEMBER 30, 2020**

<u>Loan/Lease Payable - Con't</u>	<u>Balance 09-30-19</u>	<u>Transactions During Fiscal Year</u>		<u>Balance 09-30-20</u>
		<u>Issued</u>	<u>Redeemed</u>	
BancorpSouth bank - 2.33% equipment loan dated 1-20-18	\$ 30,338	\$ -	\$ 30,338	\$ -
BancorpSouth bank - 2.24% equipment loan dated 12-19-17	12,935	-	12,935	-
Mississippi Development Auth. - 0.84% fire truck loan dated 05-29-19	1,200,549	-	114,805	1,085,744
Trustmark Bank - 3.21% equipment loan dated 5-29-19	28,998	-	9,936	19,062
Trustmark Bank - 3.21% equipment loan dated 5-29-19	31,439	-	10,770	20,669
Mississippi Department of Health - 1.95% well #7 dated 12-10-19	-	2,661,945	93,316	2,568,629
Regions Bank - 2.07% equipment loan dated 04-22-20	-	117,696	15,913	101,783
 Total loan payable	 <u>3,887,097</u>	 <u>2,779,641</u>	 <u>574,394</u>	 <u>6,092,344</u>
Total long-term debt	\$ <u>4,117,097</u>	\$ <u>9,062,641</u>	\$ <u>804,394</u>	\$ <u>12,375,344</u>

See accountants' report.

CITY OF RICHLAND

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS - UNAUDITED
SEPTEMBER 30, 2020**

Name	Position	Company	Bond
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
Lisa Starkey	Police Dispatcher	Western Surety	50,000
Jessica Andrews	Police Dispatcher	Western Surety	50,000
Candice Talley	Part-time Dispatcher	Western Surety	50,000
Nick McLendon	Captain/Flex Unit	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
Christopher Grantham	Deputy Court Clerk	Western Surety	50,000
Cassi Burton	Deputy Court Clerk	Western Surety	50,000
Mariela Campusano	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
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
Hannah Tucker	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
Blanket Bond		Western Surety	50,000

See accountants' report.

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

Lyle, Walker & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA
Gary L. Walker, CPA
Cindy Hollingsworth, CPA

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, 2020, 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 5, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richland, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Lyle, Walker & Co., P.A.

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

Lyle, Walker & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020 and have issued our report dated February 5, 2021. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Lyle, Walker & Co., P.A.

**Ridgeland, Mississippi
February 5, 2021**