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TOWN OF RICHTON, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2021

**TOWN OF RICHTON, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richton, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Richton, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Town of Richton, Mississippi, as of September 30, 2021, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that the Town of Richton, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Management has omitted the Management's Discussion and Analysis and budgetary comparison that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statement of the Town of Richton, Mississippi. The supplemental schedules on pages 12-14 are presented for purposes of additional analysis and are not a required part of the financial statements. The information in schedules 1 through 3 have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the Town of Richton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Richton, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Richton, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter: COVID-19 Pandemic

As discussed in Note 7 to the financial statements, in March 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any town disruptions and related financial impact cannot be reasonably estimated at this time.

Holt & Associates, PLLC

Laurel, MS
November 12, 2021

Town of Richton, Mississippi
Statement of Cash Receipts and Disbursements
Governmental and Business-Type Activities
For the Year Ended September 30, 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Major Funds</u>		<u>Major Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Utility Fund</u>	<u>Totals</u>
Receipts	\$		\$	\$
General property taxes	250,008	-	-	250,008
Licenses and permits				
Privilege licenses	4,495	-	-	4,495
Franchise charges - utilities	62,754	-	-	62,754
Fines and Forfeitures	11,833	-	-	11,833
Intergovernmental Revenue				
Homestead exemption reimbursement	17,560	-	-	17,560
Sales taxes	386,954	-	-	386,954
Oil severance tax	9,561	-	-	9,561
Gasoline tax	3,271	-	-	3,271
Operating grant	5,734	-	-	5,734
Municipal aid	533	-	-	533
ABC control division	900	-	-	900
CDBG grant	-	38,415	-	38,415
Fire grant	23,880	-	-	23,880
Modernization use tax	53,065	-	-	53,065
American Rescue Plan Act	123,906	-	-	123,906
Charges for services				
Sewer	-	-	115,839	115,839
Water	-	-	209,000	209,000
Interest	38,100	-	17,435	55,535
Miscellaneous receipts	20,231	2,011	23,902	46,144
Total receipts	\$ 1,012,785	\$ 40,426	\$ 366,176	\$ 1,419,387

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

Town of Richton, Mississippi
Statement of Cash Receipts and Disbursements
Governmental and Business-Type Activities
For the Year Ended September 30, 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Major Funds</u>		<u>Major Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Utility Fund</u>	<u>Totals</u>
Disbursements				
General government	\$ 288,271	\$ -	\$ -	\$ 288,271
Public safety	269,683	-	-	269,683
Public works	42,435	-	-	42,435
Parks & Recreation	81,537	-	-	81,537
Capital Outlay	-	38,415	-	38,415
Enterprise: water and sanitation	-	-	244,836	244,836
Total disbursements	<u>681,926</u>	<u>38,415</u>	<u>244,836</u>	<u>965,177</u>
Excess (deficiency) of receipts Over disbursements	<u>330,859</u>	<u>2,011</u>	<u>121,340</u>	<u>454,210</u>
Cash Basis Fund Balance - Beginning of Year	<u>1,981,161</u>	<u>110,229</u>	<u>914,774</u>	<u>3,006,164</u>
Cash Basis Fund Balance - End of Year	<u>\$ 2,312,020</u>	<u>\$ 112,240</u>	<u>\$ 1,036,114</u>	<u>\$ 3,460,374</u>

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

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity.

The Town operates under an elected Mayor and Aldermen form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Town are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles required the Town to present these financial statements on the primary government.

B. Basis of Presentation.

Fund Financial Statements: Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

The financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The Town reports the following major governmental funds:

General Fund - This is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Special Revenue Fund - The special revenue fund is used to account for financial resources of the Community Development Block Grant.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting (continued).

Additionally, the Town reports the following major business-type funds:

Enterprise Funds – Enterprise funds are used to account for operations (a) that 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 be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Municipalities* issued by the Office of the State Auditor.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The Town deposits excess funds in the financial institutions selected by the Board of Aldermen. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less from the end of the fiscal year. Cash and cash equivalents are valued at cost.

G. 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. Automobile ad valorem taxes are collected by Perry County and remitted to the Town. The County retains a 5% collection fee. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

The millage rate for the Town for January through December was 35.50 mills broken down as follows:

General Fund	33.50
Recreation Fund	0.50
Library Fund	<u>1.50</u>
	<u>35.50</u>

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restrictions associated with property tax levies are established by State law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which results from those levies' assessments of the previous year. Uncollected taxes were determined to be properly handled.

H. Budgets and Budgetary Accounting.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Town Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Board of Aldermen may take official action to authorize transfers of budgeted amounts between departments and fund as allowed by law.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund.
6. Mississippi laws require that municipalities budget governmental fund types 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. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal.

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

During the year, amendments were made to the original budget.

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 2 – CASH AND CASH EQUIVALENTS

The Town follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits: The Town must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972). The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Cash and Cash Equivalents.

The carrying amount of the Town's deposits with financial institutions was \$3,460,374 and the bank balance was \$3,501,675.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The town does not have a deposit policy for custodial credit risk.

However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the town. As of September 30, 2021, the Town's bank balance did not have any exposure to custodial credit risk.

NOTE 3 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 - DEFINED BENEFIT PENSION PLAN – CONTINUED

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. 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 2.0 percent 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 percent 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. 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. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent 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 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal years ending September 30, 2021, 2020 and 2019 were \$52,905, \$54,670, and \$55,081 respectively, which equaled the required contributions for each year.

NOTE 4 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 - RISK MANAGEMENT – CONTINUED

Participation in Public Entity Risk Pool:

The Town participates in the Mississippi Municipal Liability Plan (MMLD), an insurance-purchasing pool. The Town, along with other municipalities as a group, purchased insurance to insure against losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Settled claims resulting from these insured risks have not exceeded the Town's insurance coverage since it joined the pool.

The Town is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees.

The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust.

The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance, which will pay the excess up to the statutory limit. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

NOTE 5 - MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE

The Mississippi Compliance Questionnaire was completed and entered into the minutes as prescribed by law. A review of the questionnaire revealed that all items were answered yes or not applicable.

NOTE 6 - JOINT VENTURES

The Town of Richton, Mississippi is a participant with the Perry County Board of Supervisors in a joint venture to operate the Richton-Perry County Airport. The joint venture was created to operate the airport and is governed by a five-member board, two appointed by the Town of Richton, Mississippi's Council, two appointed by the Perry County Board of Supervisors, and one appointed by the mayor of the Town of Richton and the president of the Perry County Board of Supervisors. Financial statements can be obtained from the Chairman of the Airport Board, P.O. Box 1500, Richton, MS 39476.

**TOWN OF RICHTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 7 – COVID-19 PANDEMIC

The Coronavirus (COVID-19) pandemic broke out in March 2020, resulting in the government mandating stay-at-home orders until further notice, except for essential businesses. The Town is considered an essential business, and operations from the Town have not shown signs of decline due to the pandemic. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE 8 – SUBSEQUENT EVENTS

The Town of Richton, Mississippi evaluated subsequent events through November 12, 2021, (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

Town of Richton, Mississippi
Schedule 1
Schedule of Surety Bonds of Municipal Officials
September 30, 2021

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
James Bunch	Police Chief	Clyde Scott	\$ 50,000
Deborah Walley	Deputy Municipal Clerk	Clyde Scott	50,000
Terri Dunn	Municipal Clerk	Clyde Scott	50,000
Michael Ruffin	Mayor	Scott Municipal Insurance	25,000
Bryan Keith Evans	Alderman	Scott Municipal Insurance	25,000
Anthony Lee	Alderman	Scott Municipal Insurance	25,000
Ed Heard, Jr.	Alderman	Scott Municipal Insurance	25,000
J. Kitchens	Alderman	Scott Municipal Insurance	25,000
Brenda Phillips	Alderwoman	Scott Municipal Insurance	25,000

Town of Richton, Mississippi
Schedule 2
Schedule of Capital Assets
September 30, 2021

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Land	\$ 281,873	\$ -	\$ -	\$ 281,873
Construction in progress	-	38,415	-	38,415
Buildings	791,763	-	-	791,763
Machinery and equipment	819,403	-	-	819,403
Infrastructure	993,731	-	-	993,731
Total governmental activities	<u>2,886,770</u>	<u>38,415</u>	<u>-</u>	<u>2,925,185</u>
Business-type Activities:				
Buildings	5,127,850	-	-	5,127,850
Machinery and equipment	218,257	-	-	218,257
Vehicles	96,775	-	-	96,775
Sewer line improvements	1,845,468	-	-	1,845,468
Total business-type activities	<u>7,288,350</u>	<u>-</u>	<u>-</u>	<u>7,288,350</u>
Total Capital Assets	<u>\$ 10,175,120</u>	<u>\$ 38,415</u>	<u>\$ -</u>	<u>\$ 10,213,535</u>

Town of Richton, Mississippi
Schedule 3
Schedule of Long-Term Debt
September 30, 2021

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Business-type Activities:				
CAP Loan	\$ 342,139	\$ -	\$ 23,743	\$ 318,396
Total	<u>\$ 342,139</u>	<u>\$ -</u>	<u>\$ 23,743</u>	<u>\$ 318,396</u>

TOWN OF RICHTON, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
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Founder (1915-1997)
W. David Dill, CPA (Retired)

**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**

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, 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, business-type activities, each major fund, and the aggregate remaining fund information of Town of Richton, Mississippi, as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise Town of Richton, Mississippi's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

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

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Richton, 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*.

Town of Richton, Mississippi's Response to Findings

Town of Richton, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Richton, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Holt & Associates, PLLC

Laurel, Mississippi
November 12, 2021



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

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

Honorable Mayor, Members of the
Board of Aldermen and Town Clerk
Town of Richton, Mississippi

We have audited the basic financial statements of the Town of Richton, Mississippi as of and for the year ended September 30, 2021, and have issued our report thereon dated November 12, 2021. We have conducted our audit in accordance with generally accepted auditing standards and 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 performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no immaterial instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the management, town officials and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holt & Associates, PLLC

Laurel, Mississippi
November 12, 2021

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

**TOWN OF RICHTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED SEPTEMBER 30, 2021**

FINDING 2021-1

Finding:

There is a limited accounting staff to properly segregate the duties normally required for an efficient internal control structure. However, due to the limited number of personnel, an adequate segregation of duties is not possible without additional costs.

Recommendation:

The cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

Response:

Lack of segregation of duties has been a recurring deficiency. Since the cost to hire additional personnel is cost prohibited, this will continue to be a deficiency in future audits. Sufficient internal controls are present.