

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF RICHLAND

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2022

CITY OF RICHLAND, MISSISSIPPI

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities	9
Statement of Net Position - Proprietary Fund	10
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	12
Statement of Cash Flows - Proprietary Fund	13
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - General Fund - Unaudited	40
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - Covid-19 Recovery Fund - Unaudited	41
Schedule of the City's Proportionate Share of the Net Pension Liability - Unaudited	42
Schedule of the City's Contributions - Unaudited	43
Notes to Required Supplementary Information	44
OTHER INFORMATION	
Schedule of Changes in Long-Term Debt - Unaudited	48
Schedule of Surety Bonds for Municipal Officers - Unaudited	50

CITY OF RICHLAND, MISSISSIPPI

CONTENTS (CONTINUED)

	<u>Pages</u>
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 <i>GOVERNMENT AUDITING STANDARDS</i>	51
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	53

INDEPENDENT AUDITORS' REPORT

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

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

Report on the Audit of the Financial Statements

Opinions

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 (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Richland, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Richland, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Richland, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Richland, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of the City's proportionate share of the net pension liability and the City's contributions - PERS on pages i through ix and 40 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of changes in long-term debt and the schedule of surety bonds for municipal officers, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2023, on our consideration of the City of Richland, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Richland, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richland, Mississippi's internal control over financial reporting and compliance.

Lyle Walker & Co., PA

Ridgeland, Mississippi
April 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



MAYOR
Pat Sullivan

ALDERMEN
Gus Black
John Hamilton
Matthew Quick
Beth Sanford
A. J. Shields

CITY CLERK
Karen Jackson

City of Richland
380 Scarbrough Street P. O. Box 180609
Richland, MS 39218
601-932-3000

City of Richland, Mississippi
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

This Discussion and Analysis of the City of Richland, Mississippi's (the City) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2022. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24,413,189 (net position) for the fiscal year reported.

Total net position is comprised of the following:

- (1) Investment in capital assets, net of related debt, of \$27,108,346 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 \$6,222,266 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws or regulations.
- (3) The remaining balance represents unrestricted net position of \$(8,917,423).

The City's governmental funds on a budgetary basis reported total ending fund balances of \$11,023,219 this year. This compares to the prior year ending fund balance of \$8,836,964 showing an increase of \$2,186,255 during the year.

At the end of the current fiscal year, fund balance for the General Fund was \$5,515,719 or 48% of total General Fund expenditures including transfers and 44% of total General Fund revenues including transfers.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statement. The basic financial statements include: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. 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 and can be found on pages 3 - 5 of this report.

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, debt service fund, one capital project fund, and six special revenue funds.

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

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

The basic governmental funds 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 basic 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 - 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget process and defined benefit pension plan, including notes to the required supplementary information.

This required supplementary information can be found on pages 40 - 47 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 \$24,413,189.

The following table provides a summary of the City's net position at September 30, 2022, compared to the prior year.

<u>Summary of Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 14,699,632	\$ 12,223,543	\$ 1,769,997	\$ 2,389,280	\$ 16,469,629	\$ 14,612,823
Capital assets	21,595,695	20,512,933	16,291,049	16,124,322	37,886,744	36,637,255
Total assets	<u>36,295,327</u>	<u>32,736,476</u>	<u>18,061,046</u>	<u>18,513,602</u>	<u>54,356,373</u>	<u>51,250,078</u>
Deferred outflows of resources	1,810,525	1,271,951	136,904	102,091	1,947,429	1,374,042
Long-term liabilities outstanding	23,561,813	19,419,787	4,237,784	3,906,960	27,799,597	23,326,747
Other liabilities	391,687	1,019,144	510,561	555,695	902,248	1,574,839
Total liabilities	<u>23,953,500</u>	<u>20,438,931</u>	<u>4,748,345</u>	<u>4,462,655</u>	<u>28,701,845</u>	<u>24,901,586</u>
Deferred inflows of resources	3,171,642	6,023,319	17,126	269,767	3,188,768	6,293,086
Net Position:						
Net investment in capital assets	13,854,233	11,981,985	13,254,113	12,986,655	27,108,346	24,968,640
Restricted	6,222,266	357,959	-	-	6,222,266	357,959
Unrestricted	<u>(9,095,789)</u>	<u>(4,793,767)</u>	<u>178,366</u>	<u>896,616</u>	<u>(8,917,423)</u>	<u>(3,897,151)</u>
Total net position	<u>\$ 10,980,710</u>	<u>\$ 7,546,177</u>	<u>\$ 13,432,479</u>	<u>\$ 13,883,271</u>	<u>\$ 24,413,189</u>	<u>\$ 21,429,448</u>

The following table provides a summary of the City's changes in net position for the fiscal year ended September 30, 2022, compared to the prior year.

<u>Summary of Changes in Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues						
Charges for serv	\$ 1,065,423	\$ 1,332,482	\$ 3,685,251	\$ 3,009,218	\$ 4,750,674	\$ 4,341,700
Operating grants & contributions	1,073,960	945,057	-	-	1,073,960	945,057
Capital grants & contributions	1,336,070	470,027	-	-	1,336,070	470,027
General revenues						
Adval taxes	3,248,453	3,143,309	-	-	3,248,453	3,143,309
Sales tax	7,798,112	7,662,224	-	-	7,798,112	7,662,224
Franchise tax	327,993	289,429	-	-	327,993	289,429
Payments in lieu of taxes	120,987	120,313	-	-	120,987	120,313
Assessments	-	10,627	-	-	-	10,627
Interest income	65,741	94,696	10,149	24,448	75,890	119,144
Total revenues	<u>15,036,739</u>	<u>14,068,164</u>	<u>3,695,400</u>	<u>3,033,666</u>	<u>18,732,139</u>	<u>17,101,830</u>
Expenses:						
General						
Government	1,010,126	736,643	-	-	1,010,126	736,643
Police Dept	3,594,455	3,098,666	-	-	3,594,455	3,098,666
Court Services	360,295	326,545	-	-	360,295	326,545
Emergency Ops Center	6,789	3,213	-	-	6,789	3,213
Fire Dept	2,363,997	2,361,997	-	-	2,363,997	2,361,997
Public Works	2,340,432	1,928,267	-	-	2,340,432	1,928,267
Planning & Development	310,242	224,052	-	-	310,242	224,052
Sanitation Dept	-	403,166	-	-	-	403,166
Parks & Rec	1,283,632	1,043,706	-	-	1,283,632	1,043,706
Library	44,138	44,681	-	-	44,138	44,681
Urban Programs	41,674	33,980	-	-	41,674	33,980
Community & Senior Services	224,109	172,793	-	-	224,109	172,793
Interest on long-term debt	160,876	187,086	-	-	160,876	187,086
Water & sewer	-	-	4,007,633	2,692,289	4,007,633	2,692,289
Total expenses	<u>11,740,765</u>	<u>10,564,795</u>	<u>4,007,633</u>	<u>2,692,289</u>	<u>15,748,398</u>	<u>13,257,084</u>
Incr (decr) in net position before transfers	3,295,974	3,503,369	(312,233)	341,377	2,983,741	3,844,746
Transfers	<u>138,559</u>	<u>100,000</u>	<u>(138,559)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Change in net position	3,434,533	3,603,369	(450,792)	241,377	2,983,741	3,844,746
Beginning net position	<u>7,546,177</u>	<u>3,942,808</u>	<u>13,883,271</u>	<u>13,641,894</u>	<u>21,429,448</u>	<u>17,584,702</u>
Ending net position	\$ <u>10,980,701</u>	\$ <u>7,546,177</u>	\$ <u>13,432,479</u>	\$ <u>13,883,271</u>	\$ <u>24,413,189</u>	\$ <u>21,429,448</u>

Financial Analysis of the City's Funds

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

This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$11,023,219. Of this year-end total \$4,454,743 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include \$6,222,266 committed to resources that are subject to external restrictions on how they may be used.

The total ending fund balances of governmental funds show an increase of \$2,186,255 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 \$1,006,790 during the fiscal year ended September 30, 2022.

The 2020 Bond is funded by the 2% Food & Beverage Fund authorized by the Legislature for the exclusive use of parks, recreation, and tourism.

The Covid Recovery Fund has a total fund balance of \$1,784,469, all of which is restricted to allowable projects. The City of Richland intends to undergo a Sanitary Sewer Project and a Bank Stabilization Project.

Proprietary funds: At the close of the fiscal year, the City of Richland's proprietary fund reported total net position of \$13,432,479. Operating revenues totaled \$3,685,251 and operating expenses totaled \$3,946,791 resulting in operating shortfall of \$261,540. After net non-operating expenses of (\$50,693), the change in net assets in the proprietary fund was a decrease of \$450,792.

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended September 30, 2022 was \$13,291,550.

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

The difference between the original budget and the final amended budget was a net increase of \$137,630. This increase can be briefly summarized as follows:

- \$137, 630 was used from the Deferred Fire Fund to pay off the 2016 CAP loan for a pumper truck.

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, 2022, was \$40,951,621 and \$31,914,373, respectively, resulting in the total capital assets of \$72,865,994. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2022, was \$34,979,250 (\$19,355,926 for governmental activities and \$15,623,324 for business-type activities). The balance in total net capital assets was \$37,886,744.

Debt Administration: At September 30, 2022, the City of Richland had \$10,778,398 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, capital improvement revolving loans and loans/contracts payable.

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 other park enhancements.

Enterprise Fund revenue provided funding of the Capital Improvements Revolving Loan and loans/contracts payable for \$179,981 this fiscal year reported.

The State of Mississippi limits the amount of general obligation 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 \$21,341,322.

Additional information on the City's long-term debt can be found on pages 27 - 31 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.

The City has partnered with Keep America Beautiful to create Keep Richland Beautiful. A Butterfly Garden at Eastside Park, banners for street lights representing all holidays, and planters outside several businesses are some of the projects being implemented, as well as bulbs being planted in strategic locations around the City.

2. *Library Expansion and Upkeep:*

The City views our Library as a wonderful asset to community life; for many, it is a primary source of recreation. As such, the Library underwent a complete renovation of the interior in 2022, with planned outside updates and maintenance in FY 2023.

3. *Police Department:*

We consider it our duty to protect our citizens. Our FLEX units have been productive 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 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 such as upkeep of the Highway 49 corridor.

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 continually 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. Safe drinking water and services is continuing priority to the City.

7. *Streets Department:*

The City is working to clean out ditches and replace culverts to aid in drainage. The City maintains a running list of streets in need of overlay and upgrade to be improved every year.

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, MISSISSIPPI

STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,529,059	\$ 1,123,493	\$ 6,652,552
Receivables (net of allowance for uncollectible)	2,945,151	344,870	3,290,021
Due from other governments	771,542	-	771,542
Restricted cash and cash equivalents	5,453,880	301,634	5,755,514
Capital assets not being depreciated:			
Construction in progress	853,879	402,677	1,256,556
Land	1,446,638	383,041	1,829,679
Capital assets net of accumulated depreciation:			
Buildings	12,876,370	-	12,876,370
Improvements	15,530,115	29,115,769	44,645,884
Machinery and equipment	10,244,619	2,012,886	12,257,505
Accumulated depreciation	(19,355,926)	(15,623,324)	(34,979,250)
Total assets	<u>36,295,327</u>	<u>18,061,046</u>	<u>54,356,373</u>
Deferred outflows of resources related to pension	<u>1,810,525</u>	<u>136,904</u>	<u>1,947,429</u>
<u>LIABILITIES</u>			
Accounts payable	243,284	198,745	442,029
Customer deposits	-	301,292	301,292
Accrued salaries	131,984	10,524	142,508
Unearned revenue	16,419	-	16,419
Noncurrent liabilities:			
Due within one year:			
Loans and contracts payable	306,551	188,221	494,772
Bonds payable	239,000	-	239,000
Due within more than one year			
Accrued compensated absences	339,409	30,244	369,653
Loans and contracts payable	1,641,911	2,848,715	4,490,626
Bonds payable	5,554,000	-	5,554,000
Net pension liability	15,480,942	1,170,604	16,651,546
Total liabilities	<u>23,953,500</u>	<u>4,748,345</u>	<u>28,701,845</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,945,151	-	2,945,151
Deferred inflows related to pension	226,491	17,126	243,617
Total deferred inflows of resources	<u>3,171,642</u>	<u>17,126</u>	<u>3,188,768</u>
<u>NET POSITION</u>			
Net investment in capital assets	13,854,233	13,254,113	27,108,346
Restricted for:			
Law enforcement	565,125	-	565,125
Fire safety	330,527	-	330,527
Parks and recreation	892,625	-	892,625
Tourism/economic development	674,023	-	674,023
Coronavirus recovery	1,784,469	-	1,784,469
Construction/capital asset acquisition	1,975,497	-	1,975,497
Unrestricted	(9,095,789)	178,366	(8,917,423)
Total net position	<u>\$ 10,980,710</u>	<u>\$ 13,432,479</u>	<u>\$ 24,413,189</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General Government	\$ 1,010,126	\$ 447,420	\$ 1,073,960	\$ 1,336,070
Police Department	3,594,455	469,617	-	-
Court Services	360,295	59,720	-	-
Emergency Operations Center	6,789	-	-	-
Fire Department	2,363,997	8,356	-	-
Public Works	2,340,432	-	-	-
Planning and Development	310,242	-	-	-
Parks and Recreation	1,283,632	42,103	-	-
Library	44,138	-	-	-
Urban Programs	41,674	-	-	-
Community and Senior Services	224,109	38,207	-	-
Interest on long-term debt	160,876	-	-	-
Total governmental activities	<u>11,740,765</u>	<u>1,065,423</u>	<u>1,073,960</u>	<u>1,336,070</u>
Business-type activities:				
Water and sewer	<u>4,007,633</u>	<u>3,685,251</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,748,398</u>	<u>\$ 4,750,674</u>	<u>\$ 1,073,960</u>	<u>\$ 1,336,070</u>

GENERAL REVENUES

Advalorem taxes
Sales tax
Franchise tax
Payments in lieu of taxes
Interest income

TRANSFERS

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying notes to the financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
------------------------------------	-------------------------------------	--------------

\$ 1,847,324	\$ -	\$ 1,847,324
(3,124,838)	-	(3,124,838)
(300,575)	-	(300,575)
(6,789)	-	(6,789)
(2,355,641)	-	(2,355,641)
(2,340,432)	-	(2,340,432)
(310,242)	-	(310,242)
(1,241,529)	-	(1,241,529)
(44,138)	-	(44,138)
(41,674)	-	(41,674)
(185,902)	-	(185,902)
(160,876)	-	(160,876)
<u>(8,265,312)</u>	<u>-</u>	<u>(8,265,312)</u>

<u>-</u>	<u>(322,382)</u>	<u>(322,382)</u>
<u>(8,265,312)</u>	<u>(322,382)</u>	<u>(8,587,694)</u>

3,248,453	-	3,248,453
7,798,112	-	7,798,112
327,993	-	327,993
120,987	-	120,987
65,741	10,149	75,890
<u>138,559</u>	<u>(138,559)</u>	<u>-</u>

<u>11,699,845</u>	<u>(128,410)</u>	<u>11,571,435</u>
-------------------	------------------	-------------------

3,434,533	(450,792)	2,983,741
-----------	-----------	-----------

<u>7,546,177</u>	<u>13,883,271</u>	<u>21,429,448</u>
------------------	-------------------	-------------------

\$ <u>10,980,710</u>	\$ <u>13,432,479</u>	\$ <u>24,413,189</u>
----------------------	----------------------	----------------------

CITY OF RICHLAND, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Covid-19 Recovery Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents				
Cash on hand	\$ 7,900	\$ -	\$ -	\$ 7,900
Cash on deposit	5,521,159	-	-	5,521,159
Restricted cash and cash equivalents	-	1,784,469	3,669,411	5,453,880
	<u>5,529,059</u>	<u>1,784,469</u>	<u>3,669,411</u>	<u>10,982,939</u>
Due from other governments	<u>717,922</u>	<u>-</u>	<u>53,620</u>	<u>771,542</u>
Total assets	<u>\$ 6,246,981</u>	<u>\$ 1,784,469</u>	<u>\$ 3,723,031</u>	<u>\$ 11,754,481</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 243,284	\$ -	\$ -	\$ 243,284
Accrued salaries	131,984	-	-	131,984
Accrued vacation pay	339,575	-	-	339,575
Unearned revenue	16,419	-	-	16,419
Total liabilities	<u>731,262</u>	<u>-</u>	<u>-</u>	<u>731,262</u>
Fund Balances				
Restricted for:				
Police Department	24,971	-	540,154	565,125
Fire Department	330,527	-	-	330,527
Parks and recreation	-	-	892,625	892,625
Tourism/economic development	359,268	-	314,755	674,023
Coronavirus recovery	-	1,784,469	-	1,784,469
Capital outlay	-	-	1,975,497	1,975,497
Committed	346,210	-	-	346,210
Unassigned	4,454,743	-	-	4,454,743
Total fund balances	<u>5,515,719</u>	<u>1,784,469</u>	<u>3,723,031</u>	<u>11,023,219</u>
Total liabilities and fund balances	<u>\$ 6,246,981</u>	<u>\$ 1,784,469</u>	<u>\$ 3,723,031</u>	<u>\$ 11,754,481</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI

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

SEPTEMBER 30, 2022

Total fund balances - governmental funds **\$ 11,023,219**

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

**Governmental capital assets of \$40,097,742, net of
accumulated depreciation of \$19,355,926, are not
current financial resources and, therefore are not
reported in the governmental funds. Includes
construction in progress of \$853,879.** **21,595,695**

Pension Obligations:

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

Net pension liability **\$ (15,480,942)**

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

Deferred outflows related to pension	1,810,525	
Deferred inflows related to pension	(226,491)	(13,896,908)

**Loans, contracts and bonds payable are not due and
payable in the current period and, therefore, are not
reported in the governmental funds.** **(7,741,462)**

**A portion of compensated absences are not due and
payable in the current period and, therefore, are not
reported in the governmental funds.** **166**

Net position of governmental activities **\$ 10,980,710**

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Covid-19 Recovery Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Advalorem taxes	\$ 3,248,453	\$ -	\$ -	\$ 3,248,453
Sales tax	7,188,038	-	610,074	7,798,112
Licenses and permits	211,293	-	-	211,293
Intergovernmental	183,878	890,082	1,336,070	2,410,030
Fines and forfeits	394,610	-	-	394,610
Franchise tax	327,993	-	-	327,993
Interest	42,330	2,384	21,027	65,741
Payments in lieu of taxes	120,987	-	-	120,987
Drug seizure	-	-	40,710	40,710
Miscellaneous	388,351	-	30,459	418,810
Total revenue	<u>12,105,933</u>	<u>892,466</u>	<u>2,038,340</u>	<u>15,036,739</u>
<u>EXPENDITURES</u>				
Current:				
General Government	877,927	-	-	877,927
Police Department	3,051,052	-	-	3,051,052
Court Services	329,111	-	-	329,111
Emergency Operations Center	6,789	-	-	6,789
Fire Department	1,887,538	-	-	1,887,538
Public Works	1,649,253	-	-	1,649,253
Planning and Development	286,906	-	-	286,906
Parks and Recreation	921,536	-	74,523	996,059
Library	29,191	-	-	29,191
Urban Programs	41,674	-	-	41,674
Community and Senior Services	201,156	-	-	201,156
Debt service:				
Principal retirement	489,691	-	299,796	789,487
Interest and fiscal charges	26,236	-	134,640	160,876
Capital outlay	1,798,688	-	883,336	2,682,024
Total expenditures	<u>11,596,748</u>	<u>-</u>	<u>1,392,295</u>	<u>12,989,043</u>
Excess of revenues/expenditures	509,185	892,466	646,045	2,047,696
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in (out)	<u>497,605</u>	<u>-</u>	<u>(359,046)</u>	<u>138,559</u>
Net change in fund balances	1,006,790	892,466	286,999	2,186,255
Fund balances - beginning	<u>4,508,929</u>	<u>892,003</u>	<u>3,436,032</u>	<u>8,836,964</u>
Fund balances - ending	<u>\$ 5,515,719</u>	<u>\$ 1,784,469</u>	<u>\$ 3,723,031</u>	<u>\$ 11,023,219</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI

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

YEAR ENDED SEPTEMBER 30, 2022

Net change in total fund balances - government funds **\$ 2,186,255**

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

Revenue and expenses reported in the statement of activities that do not provide or require the use of current resources are not reported as revenue and expenditures in governmental funds. (38,793)

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. 1,121,554

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. 813,020

Governmental funds report pension plan payments as expenditures as paid, whereas these amounts along with other changes in the net pension liability are deferred and amortized in the statement of activities. These activities include:

Pension expense adjustment for the current year	\$ (908,625)	
Contributions made after the measurement date	<u>261,122</u>	
		<u>(647,503)</u>

Change in net position of governmental activities **\$ 3,434,533**

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022**

	<u>Business-type Activities - Enterprise Fund Water & Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,123,493
Accounts receivable (net of allowance for uncollectibles)	344,870
Total current assets	<u>1,468,363</u>
Noncurrent assets:	
Restricted cash and cash equivalents:	
Customer deposits	301,634
Total restricted cash and cash equivalents	<u>301,634</u>
Capital assets:	
Construction in progress	402,677
Land	383,041
Improvements	29,115,769
Machinery and equipment	2,012,886
Accumulated depreciation	(15,623,324)
Total capital assets (net of accumulated depreciation)	<u>16,291,049</u>
Total noncurrent assets	<u>16,592,683</u>
Total assets	<u>18,061,046</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	136,904
Total deferred outflows of resources	<u>136,904</u>
Total assets and deferred outflows of resources	\$ <u>18,197,950</u>

See accompanying notes to the financial statements.

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

LIABILITIES

Current liabilities:

Accounts payable	\$ 198,745
Customer deposits	301,292
Accrued salaries	10,524
Current portion of loans/contracts payable	188,221
Total current liabilities	<u>698,782</u>

Noncurrent liabilities:

Loans/contracts payable - net of current portion	2,848,715
Accrued vacation pay	30,244
Net pension liability	1,170,604
Total noncurrent liabilities	<u>4,049,563</u>

Total liabilities	<u>4,748,345</u>
-------------------	------------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	17,126
Total deferred inflows of resources	<u>17,126</u>

NET POSITION

Net investments in capital assets	13,254,113
Unrestricted	178,366
Total net position	<u>13,432,479</u>

Total liabilities, deferred inflows of resources, and net position	\$ <u>18,197,950</u>
---	----------------------

CITY OF RICHLAND, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022**

	Business-type Activities - Enterprise Fund Water & Sewer
OPERATING REVENUES	
Charges for services	\$ 3,090,440
Other charges and fees	594,811
Total operating revenue	<u>3,685,251</u>
OPERATING EXPENSES	
Personnel services	550,451
Supplies and materials	299,339
Sewer treatment	1,169,700
Garbage disposal	461,112
Depreciation	806,309
Other	659,880
Total operating expenses	<u>3,946,791</u>
Operating loss	<u>(261,540)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	10,149
Interest expense	(60,842)
Total nonoperating revenues (expenses)	<u>(50,693)</u>
LOSS BEFORE TRANSFERS	<u>(312,233)</u>
Transfer to general fund	<u>(138,559)</u>
CHANGE IN NET POSITION	<u>(450,792)</u>
NET POSITION - BEGINNING OF YEAR	<u>13,883,271</u>
NET POSITION - END OF YEAR	<u>\$ 13,432,479</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Fund Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,625,091
Cash payments for goods and services	(2,491,988)
Cash payments to employees	(563,382)
Net cash provided by operating activities	<u>569,721</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer to general fund	(138,559)
Net cash used in noncapital financing activities	<u>(138,559)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Funds received from promissory loans/financing contracts	79,250
Purchase of capital assets	(973,036)
Payments on promissory loans/financing contracts	(179,981)
Interest paid on debt	(60,842)
Net cash used in capital and related financing activities	<u>(1,134,609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	10,149
Net cash provided by investing activities	<u>10,149</u>
NET DECREASE IN CASH	(693,298)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,118,425</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,425,127</u>
CASH AND CASH EQUIVALENTS CLASSIFIED AS:	
Current assets	\$ 1,123,493
Restricted assets	301,634
Total cash and cash equivalents	<u>\$ 1,425,127</u>

- Continued -

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022

PAGE TWO

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

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$ (261,540)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	806,309
Changes in:	
Accounts receivable	(74,015)
Deferred outflows	(34,813)
Accounts payable	98,043
Customer deposits	13,855
Accrued salaries and vacation pay	(312)
Net pension liability	274,835
Deferred inflows	(252,641)
Total adjustments	831,261
Net cash provided by operating activities	\$ 569,721

See accompanying notes to the financial statements.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Richland, Mississippi (City) 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, Mississippi approved the merger and dissolution of the Richland Water and Sewer District of Rankin County, Mississippi into the City of Richland, Mississippi 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, Mississippi but is not under the jurisdiction of the City government.

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.

Component units. As required by GAAP, the financial statements of the reporting entity include those of the City of Richland, Mississippi (the primary government) and any component units thereof. Component units are either (1) a legally separate organization for which the primary government is financially accountable, or (2) another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the primary government's financial statements to be misleading. Based upon the application of this criteria, the City reports no component units.

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. 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, MISSISSIPPI
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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are 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. Capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

The City reports the following major governmental funds:

General Fund

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

Covid-19 Recovery Fund

The Covid-19 Recovery Fund is a special revenue fund that accounts for Coronavirus State and Local Fiscal Recovery Funds received under the American Rescue Plan Act that are legally restricted by the grantor.

Additionally, the City reports the following nonmajor governmental fund types:

Debt Service Funds

The debt service funds account for the accumulation of resources for the payment of general obligation debt not being financed by proprietary 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 and acquisition of fixed assets. This fund is currently being used to account for expenditures for the Multipurpose Recreational Building.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds

The 3% Hotel and Motel Fund accounts for the proceeds collected in accordance with the Mississippi Legislature House Bill No. 1526 which authorizes the collection of 3% tax on gross proceeds on room rentals from hotels and motels. These funds are restricted to expenditures for the purpose of promoting tourism and parks and recreation.

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, hotels/motels, and restaurants. These funds are restricted to expenditures for economic and community development and for the construction of a new city hall and community center plus other capital improvements.

The Modernization Use Tax Fund accounts for funds received from the State for repair, maintenance, and/or construction of roads, streets, and bridges and for repair, maintenance and/or other improvements to water and sewer infrastructures.

The Cleared Drug Seizure Fund accounts for funds received from assets forfeitures resulting from criminal cases. These funds are restricted to use for valid law enforcement purposes.

The 49 Crossover Fund accounts for funds received from the State for the construction of a crosswalk over Highway 49.

The City reports the following major proprietary 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.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION/FUND BALANCE**

Cash and Cash Equivalents

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 fund receivables

Enterprise fund receivables include amounts due from customers primarily for water and sewer services and waste collection and disposal fees. There is an allowance for uncollectible accounts in the amount of \$93,970 for the year end September 30, 2022.

Property taxes receivable

Taxes are levied annually on January 1 and are due for payment without penalty and interest by February 1. The majority of tax payments are received January through April each year. Taxes receivable represent delinquent taxes that are received within thirty days after year-end. Over time, substantially all property taxes are collected.

Sales tax receivable

Sales tax receivable represents taxes that are received within thirty days after year-end 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.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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
Improvements	20
Machinery and equipment	3-7

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, Mississippi 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide statement of net position and the proprietary fund statement of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four pension related items that qualify for reporting in this category – see note 4 for further details.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the government-wide statement of net position and the proprietary fund statement of net position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has unavailable revenue and a pension related item that qualify for reporting in this category. See note 4 for further details on the pension related deferred inflows. The unavailable revenue represents property taxes receivable that were levied for a future period.

Unearned Revenue

In the governmental funds, revenue transactions related to rental income have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period.

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 accumulated vacation pay up to 240 hours is accrued when earned in the government-wide and proprietary financial statements.

Long-term Debt

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued and premiums received on debt issuance are reported as other financing sources. Discounts on debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resource related to pension and pension expense, information about the pension plan's fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported within the fair value hierarchy established by generally accepted accounting principles.

Net Position

On the government-wide and proprietary fund statements of net position, the City reports net position in the following three categories:

Net investment in capital assets – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, loans, financing contracts, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – represents net position that has external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents net position that is not classified as net investment in capital assets or restricted.

Fund Balances

In the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. 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.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Implementation of New Accounting Principles

GASB Statement No. 87, Leases – effective for financial reporting periods beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. Implementation of this Statement did not have a material impact on the City's basic financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period – effective for reporting periods beginning after December 15, 2020. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this Statement did not have a material impact on the City's basic financial statements.

CITY OF RICHLAND, MISSISSIPPI
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 (budgetary 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 for the General Fund and the Covid-19 Recovery 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. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Capital Assets 9-30-21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets 9-30-22</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Construction in progress	\$ 5,387,458	\$ 1,503,715	\$ (6,037,294)	\$ 853,879
Land	<u>1,420,128</u>	<u>26,510</u>	<u>-</u>	<u>1,446,638</u>
Total capital assets not being depreciated	<u>6,807,586</u>	<u>1,530,225</u>	<u>(6,037,294)</u>	<u>2,300,517</u>
Capital assets being depreciated:				
Buildings	12,876,370	-	-	12,876,370
Improvements	9,186,508	6,343,607	-	15,530,115
Machinery and equipment	<u>9,946,821</u>	<u>407,916</u>	<u>(110,118)</u>	<u>10,244,619</u>
Total capital assets being depreciated	<u>32,009,699</u>	<u>6,751,523</u>	<u>(110,118)</u>	<u>38,651,104</u>
Less accumulated depreciation for:				
Buildings	(4,344,658)	(323,294)	-	(4,667,952)
Improvements	(6,450,379)	(265,771)	-	(6,716,150)
Machinery and equipment	<u>(7,509,315)</u>	<u>(533,835)</u>	<u>71,326</u>	<u>(7,971,824)</u>
Total accumulated depreciation	<u>(18,304,352)</u>	<u>(1,122,900)</u>	<u>71,326</u>	<u>(19,355,926)</u>
Total capital assets being depreciated, net	<u>13,705,347</u>	<u>5,628,623</u>	<u>(38,792)</u>	<u>19,295,178</u>
Governmental activities capital assets, net	<u>\$ 20,512,933</u>	<u>\$ 7,158,848</u>	<u>\$ (6,076,086)</u>	<u>\$ 21,595,695</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	<u>Capital Assets 9-30-21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets 9-30-22</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 402,677	\$ -	\$ 402,677
Land	<u>383,041</u>	<u>-</u>	<u>-</u>	<u>383,041</u>
Total capital assets not being depreciated	<u>383,041</u>	<u>402,677</u>	<u>-</u>	<u>785,718</u>
Capital assets being depreciated:				
Improvements	28,638,693	477,076	-	29,115,769
Machinery and equipment	<u>1,937,182</u>	<u>93,283</u>	<u>(17,579)</u>	<u>2,012,886</u>
Total capital assets being depreciated	<u>30,575,875</u>	<u>570,359</u>	<u>(17,579)</u>	<u>31,128,655</u>
Less accumulated depreciation for:				
Improvements	(13,516,762)	(707,061)	17,579	(14,206,244)
Machinery and equipment	<u>(1,317,832)</u>	<u>(99,248)</u>	<u>-</u>	<u>(1,417,080)</u>
Total accumulated depreciation	<u>(14,834,594)</u>	<u>(806,309)</u>	<u>17,579</u>	<u>(15,623,324)</u>
Total capital assets being depreciated, net	<u>15,741,281</u>	<u>(235,950)</u>	<u>-</u>	<u>15,505,331</u>
Business-type activities capital assets, net	<u>\$ 16,124,322</u>	<u>\$ 166,727</u>	<u>\$ -</u>	<u>\$ 16,291,049</u>

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

Governmental activities	
General Government	\$ 64,827
Police Department	309,465
Court Services	998
Fire Department	222,732
Public Works	336,221
Planning and Development	197
Parks and Recreation	175,769
Library	10,872
Community and Senior Services	1,819
Total governmental activities	<u>\$ 1,122,900</u>
Business-type activities	
Water and sewer fund	<u>\$ 806,309</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Bonds and loans/contracts payable at September 30, 2022, are comprised of the following:

GOVERNMENTAL ACTIVITIES

BONDS:

General obligation bond:

Mississippi Development Bank \$6,283,000 General Obligation for Recreation Projects bearing interest payable semi-annually at 1.99% and principal payments due annually, maturing 6/01/42. The city issued this debt to provide funds for the purpose of a recreation project. \$ 5,793,000

LOANS AND CONTRACTS PAYABLE:

Mississippi Development Authority note for fire truck. Interest rate of 2.00% principal and interest payments of \$11,481 monthly, maturing 4/1/2029. \$ 849,136

BancorpSouth contract for a fire station. Interest rate of 2.85%, principal and interest payable semi-annual, maturing 12/01/2030. 649,000

Trustmark Bank contract for park equipment. Interest rate of 2.90%, principal and interest payments of \$6,500 payable monthly, maturing 1/05/2028. 384,987

Regions Bank contract for a New Holland tractor. Interest rate of 2.07%, principal and interest payments of \$3,375 payable monthly, maturing 4/22/2023. 23,461

Trustmark Bank contract for a loader. Interest rate of 1.61%, principal and interest payments of \$2,493 payable monthly, maturing 2/03/2024. 41,878

\$ 1,948,462

	<u>Due within one year</u>	<u>Due in more than one year</u>	<u>Total</u>
Bonds	\$ 239,000	\$ 5,554,000	\$ 5,793,000
Loans payable	121,898	727,238	849,136
Contracts payable	<u>184,653</u>	<u>914,673</u>	<u>1,099,326</u>
Total	\$ <u>545,551</u>	\$ <u>7,195,911</u>	\$ <u>7,741,462</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES

LOANS/CONTRACTS PAYABLE:

Mississippi Department of Health loan for construction of well #6, interest at the rate of 1.95%, principal and interest payments of \$4,602 payable monthly through fiscal year 2036. Water and sewer department.	\$ 640,759
Mississippi Department of Health loan for construction of well #7, elevated tank and distribution, interest at the rate of 1.95%, principal and interest payments of \$13,589 payable monthly through fiscal year 2039. Water and sewer department.	2,338,580
Trustmark National Bank contract for purchase of a Kubota loader, interest at the rate of 1.52%, principal and interest payments of \$2,253 payable monthly through fiscal year 2025. Water and sewer department.	<u>57,597</u>
	\$ <u><u>3,036,936</u></u>
Due within one year	\$ 188,221
Due within more than one year	<u>2,848,715</u>
Total	\$ <u><u>3,036,936</u></u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

A summary of changes in the long-term liabilities during the year ended September 30, 2022, follows:

	<u>Balance 10-01-2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09-30-22</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General obligation bonds payable	\$ 6,027,000	\$ -	\$ 234,000	\$ 5,793,000	\$ 239,000
Loans payable	1,188,920	-	339,784	849,136	121,898
Contracts payable	1,315,029	-	215,703	1,099,326	184,653
Accrued compensated absences	362,942	-	23,533	339,409	-
Net pension liability	<u>11,160,338</u>	<u>4,320,604</u>	<u>-</u>	<u>15,480,942</u>	<u>-</u>
 Total governmental activities long-term liabilities	 <u>20,054,229</u>	 <u>4,320,604</u>	 <u>813,020</u>	 <u>23,561,813</u>	 <u>545,551</u>
 BUSINESS-TYPE ACTIVITIES					
Loans payable	3,137,667	-	158,328	2,979,339	161,873
Contracts payable	-	79,250	21,653	57,597	26,348
Accrued compensated absences	31,784	-	1,540	30,244	-
Net pension liability	<u>895,769</u>	<u>274,835</u>	<u>-</u>	<u>1,170,604</u>	<u>-</u>
 Total business-type activities long-term liabilities	 <u>4,065,220</u>	 <u>354,085</u>	 <u>181,521</u>	 <u>4,237,784</u>	 <u>188,221</u>
 Total government-wide long-term liabilities	 <u>\$ 24,119,449</u>	 <u>\$ 4,674,689</u>	 <u>\$ 994,541</u>	 <u>\$ 27,799,597</u>	 <u>\$ 733,772</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of September 30, 2022, follows:

GOVERNMENTAL ACTIVITIES

<u>Year Ended September 30,</u>	<u>General Obligation Principal</u>	<u>Loans Payable Principal</u>	<u>Contracts Payable Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 239,000	\$ 121,898	\$ 184,653	\$ 151,286	\$ 696,837
2024	243,000	124,359	148,136	140,599	656,094
2025	248,000	126,869	139,769	130,214	644,852
2026	253,000	129,429	143,879	119,639	645,947
2027	258,000	132,042	148,050	108,823	646,915
2028-2032	1,370,000	214,539	334,839	414,393	2,333,771
2033-2037	1,513,000	-	-	257,567	1,770,567
2038-2042	1,669,000	-	-	100,932	1,769,932
	<u>\$ 5,793,000</u>	<u>\$ 849,136</u>	<u>\$ 1,099,326</u>	<u>\$ 1,423,453</u>	<u>\$ 9,164,915</u>

BUSINESS-TYPE ACTIVITIES

<u>Year Ended September 30,</u>	<u>Loans Payable Principal</u>	<u>Contracts Payable Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 161,873	\$ 26,348	\$ 57,608	\$ 245,829
2024	164,548	26,751	54,030	245,329
2025	167,787	4,498	50,513	222,798
2026	171,087	-	47,202	218,289
2027	174,454	-	43,836	218,290
2028-2032	925,124	-	166,323	1,091,447
2033-2037	918,010	-	73,243	991,253
2038-2042	296,456	-	6,013	302,469
	<u>\$ 2,979,339</u>	<u>\$ 57,597</u>	<u>\$ 498,768</u>	<u>\$ 3,535,704</u>

CITY OF RICHLAND, MISSISSIPPI
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, 2022:

Authorized Debt Limit

	<u>15 Percent</u>
Assessed valuation for fiscal year then ended September 30, 2022 (\$142,275,482)	\$ 21,341,322
Present debt subject to 15 percent limitation	<u>5,793,000</u>
Margin for further indebtedness (under 15 percent limitation)	\$ <u>15,548,322</u>

CITY OF RICHLAND, MISSISSIPPI
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 to 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 the 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, MISSISSIPPI
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, 2022 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, 2022, contributions to the pension plan from the City were \$976,614.

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

At September 30, 2022, the City reported a liability of \$16,651,546, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, relative to the total employer contributions of participating employers to PERS. At June 30, 2022, the City's proportion was .080897 percent, which was a decrease of .000671 percent from its proportion measured as of June 30, 2021.

For the year ended September 30, 2022, the City recognized pension expense of \$1,320,038. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PENSION PLAN (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 235,774	\$ -
Net difference between projected and actual earnings on plan investments	874,620	-
Changes of assumptions	575,913	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	243,617
Contributions subsequent to the measurement date	<u>261,122</u>	<u>-</u>
Totals	\$ <u>1,947,429</u>	\$ <u>243,617</u>

At September 30, 2022, the City reported \$261,122, 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 year ending September 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2023	\$ 403,938
2024	292,848
2025	(157,656)
2026	<u>903,560</u>
Total	\$ <u>1,442,690</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65-17.90%, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, are summarized in the following table:

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	25%	4.60%
International equity	20%	4.50%
Global equity	12%	4.85%
Fixed income	18%	1.40%
Real estate	10%	3.65%
Private equity	10%	6.00%
Private infrastructure	2%	4.00%
Private credit	2%	4.00%
Cash equivalents	1%	(0.10)%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.55% at June 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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 following presents the City's proportionate share of the plan's net pension liability calculated using the discount rate of 7.55%, as well as what the City's proportionate share of the plan's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.55%) or 1% higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
Proportionate share of the plan's net pension liability	\$ 21,731,969	\$ 16,651,546	\$ 12,462,997

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Annual Comprehensive 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, 2022.

NOTE 5 - LITIGATION

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in public entity risk pools for risks of loss for all liability and worker's compensation insurance. The City carries commercial property insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Management, with the advise of legal counsel, is of the opinion that the ultimate resolution of outstanding legal matters will not have a material adverse effect on the City's financial statements.

The public entity risk pools the City participates as a member include the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool. The agreements establishing the pools provide that the pools will be self-sustaining through member premiums.

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, Mississippi of \$10,000 per year for 50 years on the District's \$550,000 Farmers Home 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 wastewater treatment for 30 years. The City agreed to remit monthly payments representing the City's proportionate share of the City's annual budget.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

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

NOTE 9 - INTERFUND TRANSFERS

The following summarizes interfund transfers for fiscal year ended September 30, 2022:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Debt Service Fund	\$ 359,046
General Fund	Water and Sewer Fund	\$ 138,559
Nonmajor 2020 Bond Debt Fund	Nonmajor 2% Food/Bev Tax Fund	\$ 356,437

Transfers are used to transfer support from one fund to another and to move funds collected for debt service payments to the debt service fund.

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 2021 was 19.0 mills, all of which went to the General Fund.

NOTE 11 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The government-wide total unrestricted net position (deficit) amount of (\$8,917,423) 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 \$261,122, resulting from City contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. The remaining \$1,686,307 balance of the deferred outflow of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next 4 years. The \$243,617 balance of the deferred inflow of resources related to pension at September 30, 2022 will be recognized in pension expense over the next 4 years.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 7, 2023, the date the financial statements were available to be issued and has determined that there are no subsequent events of material nature requiring adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHLAND, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
(NON-GAAP BASIS) - GENERAL FUND - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2022**

	Budget Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original Budget	Revisions	Final Budget		
<u>REVENUES</u>					
Advalorem taxes	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,248,453	\$ 248,453
Sales tax	6,500,000	-	6,500,000	7,082,403	582,403
Licenses and permits	185,000	-	185,000	211,293	26,293
Inter-governmental	96,500	-	96,500	183,878	87,378
Fines and forfeits	350,000	-	350,000	394,610	44,610
Franchise tax	275,000	-	275,000	327,993	52,993
Interest	38,000	(22,000)	16,000	42,330	26,330
Payments in lieu of taxes	118,000	-	118,000	120,987	2,987
Miscellaneous	588,500	-	588,500	747,197	158,697
Budgeted cash balance	1,902,920	159,630	2,062,550	-	(2,062,550)
Total revenue	13,053,920	137,630	13,191,550	12,359,144	(832,406)
<u>EXPENDITURES</u>					
General Government	1,136,791	-	1,136,791	915,895	220,896
Police Department	3,324,817	2,000	3,326,817	3,145,935	180,882
Court Services	527,585	-	527,585	347,071	180,514
Emergency Operations Ctr	10,000	(2,000)	8,000	6,789	1,211
Fire Department	2,965,999	137,630	3,103,629	2,824,354	279,275
Public Works	3,183,916	-	3,183,916	2,701,660	482,256
Planning and Development	409,238	-	409,238	284,748	124,490
Parks and Recreation	1,172,568	-	1,172,568	988,068	184,500
Library	69,200	-	69,200	54,948	14,252
Urban Programs	55,900	-	55,900	41,674	14,226
Community and Senior Srv	297,906	-	297,906	270,270	27,636
Total expenditures	13,153,920	137,630	13,291,550	11,581,412	1,710,138
Excess of revenues over (under) expenditures	(100,000)	-	(100,000)	777,732	877,732
Other financing sources: Operating transfers in	100,000	-	100,000	138,559	38,559
Net change in fund balance	\$ -	\$ -	\$ -	916,291	\$ 916,291
Fund balance - beginning				4,508,929	
Fund balance - ending				\$ 5,425,220	

See the notes to the required supplementary information.

CITY OF RICHLAND, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
(NON-GAAP BASIS) - COVID-19 RECOVERY FUND - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2022**

	Budget Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original Budget	Revisions	Final Budget		
<u>REVENUES</u>					
Inter-governmental	\$ 890,000	\$ -	\$ 890,000	\$ 890,082	\$ 82
Interest	6,500	(3,300)	3,200	2,384	(816)
Budgeted cash balance	890,000	-	890,000	-	(890,000)
 Total revenue	 1,786,500	 (3,300)	 1,783,200	 892,466	 (890,734)
<u>EXPENDITURES</u>					
Professional services	350,000	(3,300)	346,700	-	346,700
 Total expenditures	 350,000	 (3,300)	 346,700	 -	 346,700
 Net change in fund balance	 \$ 1,436,500	 \$ -	 \$ 1,436,500	 892,466	 \$ (544,034)
 Fund balance - beginning				 892,003	
 Fund balance - ending				 \$ 1,784,469	

See the notes to the required supplementary information.

CITY OF RICHLAND, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.080897%	0.081568%	0.083111%	0.083715%	0.085009%	0.079868%	0.074586%	0.073981%
City's proportionate share of the net pension liability \$	16,651,546 \$	12,056,107 \$	16,089,325 \$	14,727,121 \$	14,139,523 \$	13,276,772 \$	13,322,922 \$	11,436,004
City's covered payroll	\$ 5,569,234 \$	\$ 5,423,471 \$	\$ 5,534,178 \$	\$ 5,452,165 \$	\$ 5,428,635 \$	\$ 5,123,562 \$	\$ 4,771,429 \$	\$ 4,621,937
City's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

Notes to Schedule:

Information above is presented as of the measurement date of June 30 in the year presented.

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, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS - UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 976,614	\$ 949,806	\$ 954,094	\$ 891,219	\$ 854,899	\$ 822,627	\$ 771,381	\$ 724,165
Contributions in relation to the contractually required	976,614	949,806	954,094	891,219	854,899	822,627	771,381	724,165
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,612,731	\$ 5,532,467	\$ 5,483,297	\$ 5,658,534	\$ 5,428,635	\$ 5,223,028	\$ 4,897,689	\$ 4,597,873
Contributions as a percentage of covered payroll	17.40%	17.40%	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, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 beginning 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 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 Schedules-Budget and Actual (Non-GAAP Basis) present 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 schedules are presented for the General Fund and the Covid-19 Recovery Fund (a major special revenue fund). The Budgetary Comparison Schedules-Budget and Actual (Non-GAAP Basis) are 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 comparison schedule actual amounts (budgetary basis) net change in fund balance to the GAAP basis fund financial statements for the General Fund and the Covid-19 Recovery Fund.

	<u>General Fund</u>	<u>Covid-19 Recovery Fund</u>
Net change in fund balance - budget (cash basis)	\$ 916,291	\$ 892,466
Increase (Decrease):		
Net adjustments for revenue accruals	144,394	-
Net adjustments for expenditure accruals	<u>(53,895)</u>	<u>-</u>
Net change in fund balance - GAAP basis	\$ <u>1,006,790</u>	\$ <u>892,466</u>

CITY OF RICHLAND, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Pension Schedules

Changes of Assumptions:

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages
 - For females, 110% of female rates at all ages
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

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.

CITY OF RICHLAND, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Changes of Assumptions: (continued)

- 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 reflect actual experience more closely.
- 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 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 reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- 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 reflect actual experience more closely.
- Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**CITY OF RICHLAND, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Changes 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%.

Method and assumptions used in calculation of actuarially determined contributions:

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the plan fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 plan fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 years
Asset valuation method	5-year smooth market
Price inflation	2.75%
Salary increase	3.00% to 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

OTHER INFORMATION

CITY OF RICHLAND, MISSISSIPPI

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - UNAUDITED
SEPTEMBER 30, 2022**

	Balance 09-30-21	Transactions During Fiscal Year		Balance 09-30-22
		Issued	Redeemed	
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds				
2020 \$6,283,000 1.99% general obligation bond, recreation project	\$ 6,027,000	\$ -	\$ 234,000	\$ 5,793,000
Total bonds payable	6,027,000	-	234,000	5,793,000
Loans/Contracts Payable				
Bancorp South - 2.85% fire station contract dated 12-01-15	712,000	-	63,000	649,000
MS Department of Economic & Community Development - 2.00% capital improvement loan 10-01-15	220,298	-	220,298	-
Trustmark Bank - 2.90% equipment contract dated 12-28-17	450,783	-	65,796	384,987
Mississippi Development Auth. - 2.00% fire truck loan dated 04-01-19	968,622	-	119,486	849,136
Trustmark Bank - 3.21% equipment contract dated 05-29-19	8,803	-	8,803	-
Trustmark Bank - 3.21% equipment contract dated 05-29-19	9,546	-	9,546	-
Regions Bank - 2.07% equipment contract dated 04-22-20	63,027	-	39,566	23,461
Trustmark Bank - 1.61% equipment contract dated 02-03-21	70,870	-	28,992	41,878
Total loans/contracts payable	2,503,949	-	555,487	1,948,462
Total governmental activities	8,530,949	-	789,487	7,741,462

CITY OF RICHLAND, MISSISSIPPI

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - UNAUDITED - PAGE 2
SEPTEMBER 30, 2022**

	<u>Balance</u> <u>09-30-21</u>	<u>Transactions During</u> <u>Fiscal Year</u>		<u>Balance</u> <u>09-30-22</u>
		<u>Issued</u>	<u>Redeemed</u>	
BUSINESS-TYPE ACTIVITIES				
<u>Loans/Contracts Payable</u>				
Mississippi Department of Health - 1.95% well #7 dated 12-10-19	\$ 2,454,632	\$ -	\$ 116,052	\$ 2,338,580
Mississippi Department of Health 1.95% well #6 dated 04-01-16	683,035	-	42,276	640,759
Trustmark Bank - 1.52% equipment contract dated 11-05-21	<u>-</u>	<u>79,250</u>	<u>21,653</u>	<u>57,597</u>
Total business-type activities	<u>3,137,667</u>	<u>79,250</u>	<u>179,981</u>	<u>3,036,936</u>
Total long-term debt	<u>\$ 11,668,616</u>	<u>\$ 79,250</u>	<u>\$ 969,468</u>	<u>\$ 10,778,398</u>

See independent auditors' report.

CITY OF RICHLAND, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS - UNAUDITED
SEPTEMBER 30, 2022**

Name	Position	Company	Bond
Pat Sullivan	Mayor	Western Surety	\$ 100,000
Gus Black	Alderman	Western Surety	50,000
John Hamilton	Alderman	Western Surety	50,000
Matt Quick	Alderman	Western Surety	50,000
Beth Sanford	Alderman	Western Surety	50,000
Al Shields	Alderman	Western Surety	50,000
Karen Jackson	City Clerk	Western Surety	50,000
Mindy Thurman	Human Resources Director	Western Surety	50,000
Hanna Tucker	Deputy Clerk	Western Surety	50,000
Sandra Yates	Deputy Clerk	Western Surety	50,000
Meagan Crow	Dispatcher	Western Surety	50,000
Brynne Fisackerly	CID Assistant	Western Surety	50,000
Christopher Grantham	Dispatcher	Western Surety	50,000
Elizabeth Hauck	Dispatcher	Western Surety	50,000
JD King	Communications Manager	Western Surety	50,000
Allison McDonald	Administrative Assistant	Western Surety	50,000
Nick McLendon	Chief of Police	Western Surety	50,000
Dalton McDonald	Assistant Chief of Police	Western Surety	50,000
Adrian Ready	Assistant Chief of Police	Western Surety	50,000
Randall Walters	Inmate Security	Western Surety	50,000
Candice Talley	Dispatcher	Western Surety	50,000
Amy Schell	Dispatcher	Western Surety	50,000
Biff Monk	Sargent Warrants Officer	Western Surety	50,000
Melissa Lovorn	Court Clerk	Western Surety	50,000
Deborah Nibert	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
Todd Whatley	Assistant Public Works Director	Western Surety	50,000
Richard Fortune	Inspector	Western Surety	50,000
Harold Johnson	Building Official	Western Surety	50,000
Bryan Malone	Inspector	Western Surety	50,000
Jennifer Black	Summer Program Coordinator	Western Surety	50,000
Chelsea Causey	Sports Program Coordinator	Western Surety	50,000
Courtney Cummins	Administrative Assistant	Western Surety	50,000
Matthew Hopkins	Parks & Recreation Director	Western Surety	50,000
Kristina Jordan	Community Center Director	Western Surety	50,000
Jeff Payne	Parks Supervisor	Western Surety	50,000
Kelly Wedgeworth	Administrative Assistant	Western Surety	50,000
Alexis Johnson	Cashier	Western Surety	50,000
Shay Hollingsworth	Cashier	Western Surety	50,000
Katina Byrd	Administrative Assistant	Western Surety	50,000
Chloe Owens	Cashier	Western Surety	50,000
Barbara Adams	Deputy Clerk	Western Surety	50,000
Terri Wood	Senior Svcs/Special Events Director	Western Surety	50,000
Stephanie Ward	Special Events Coordinator	Western Surety	50,000
Pam Gregory	Water Clerk	Western Surety	50,000
Sharon Holmes	Water Clerk	Western Surety	50,000
Jason Sutphin	Public Works Director	Western Surety	50,000
Martha Barrett	Administrative Assistant	Western Surety	50,000
Blanket Bond		Western Surety	50,000

See independent auditors' 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

**The Honorable Mayor and
Board of Aldermen
City of 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, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of and for the year ended September 30, 2022, 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 April 7, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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. PA

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

Lyle, Walker & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

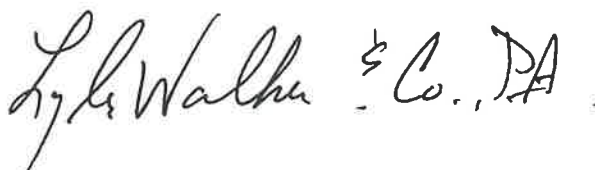
**The Honorable Mayor and
Board of Aldermen
City of Richland, Mississippi**

We have audited the 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, 2022, which collectively comprise the City of Richland, Mississippi's basic financial statements and have issued our report thereon dated April 7, 2023. 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*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the State of Mississippi 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 City's basic 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, Honorable Mayor and Board of Aldermen, and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



**Ridgeland, Mississippi
April 7, 2023**