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CITY OF RICHLAND
AUDITED FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2010

CITY OF RICHLAND

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INDEPENDENT AUDITORS' REPORT

Lyle, Walker & Co., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Richland, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

**The Honorable Mayor and Board of Alderman
City of Richland
Page 2**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2011, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richland, Mississippi's basic financial statements. The schedules of reconciling original ad valorem tax rolls to fund collections, changes in long-term debt and surety bonds for municipal officers are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Lyle Walker & Co., P.A.

April 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARK S. SCARBOROUGH
MAYOR
601-932-1256

ALDERMEN

CLAY BURNS
ROBERT CRAFT
PAT SULLIVAN
BOB WEDGEWORTH
CATHEY WYNNE



CITY OF RICHLAND
P. O. BOX 180609
RICHLAND, MS 39218
601-932-3000 • FAX 601-939-5284

MELINDA QUICK, CMCC
CITY CLERK
601-420-1540

COMMUNITY DEVELOPMENT
601-420-1610
STREET DIVISION
601-420-1600
WATER/SEWER DIVISION
601-939-5234

***City of Richland, Mississippi
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010***

This Discussion and Analysis of the City of Richland, Mississippi, financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

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

Financial Highlights

The City of Richland's assets exceeded its liabilities by \$22,608,727 (net assets) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$16,490,351 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$49,777 are restricted by constraints imposed from out outside the city such as debt covenants, grantors, laws or regulations.
- (3) Unrestricted net assets of \$6,168,153 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds on a budgetary basis reported total ending fund balances of \$3,358,164 this year. This compares to the prior year ending fund balance of

FIRE DEPARTMENT
152 BRANDON AVENUE
RICHLAND, MS 39218
601-939-1936
FAX 601-939-1955

PARKS & RECREATION
410 EAST HARPER STREET
RICHLAND, MS 39218
601-420-3400
FAX 601-420-3405

POLICE DEPARTMENT
371 SCARBROUGH STREET
RICHLAND, MS 39218
601-932-3100
FAX 601-936-4614

\$3,660,044 showing a decrease of \$301,880 during the year. This includes a prior year grant not yet realized in the amount of \$127,218.

At the end of the current fiscal year, unreserved fund balance on a budgetary basis for the General Fund was \$3,407,941 or 39% of total General Fund expenditures including transfers and 40% of total General Fund revenues including transfers.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Richland's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Richland's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in *net assets* 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Richland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Richland can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Governmental funds include the general fund.

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

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

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

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

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

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

The notes to the financial statements can be found on pages 15 - 32 of this report.

Government-wide Financial Analysis

Net Assets: Net assets may serve over time as a useful indicator of the government's financial position. The City of Richland's net assets at fiscal year-end are \$22,608,727. The following table provides a summary of the City's net assets for the fiscal year ended September 30, 2010:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,235,596	\$ 3,107,792	\$ 11,343,388
Capital assets	<u>12,291,750</u>	<u>9,939,830</u>	<u>22,231,580</u>
Total assets	<u>20,527,346</u>	<u>13,047,622</u>	<u>33,574,968</u>
Long-term liabilities	4,738,775	250,672	4,989,447
Other liabilities	<u>5,578,327</u>	<u>398,467</u>	<u>5,976,794</u>
Total liabilities	<u>10,317,102</u>	<u>649,139</u>	<u>10,966,241</u>
Net Assets:			
Invested in capital assets net of related debt	6,879,132	9,611,219	16,490,351
Debt restricted for debt service	(49,777)	-	(49,777)
Unrestricted	<u>3,380,889</u>	<u>2,787,264</u>	<u>6,168,153</u>
Total net assets	<u>\$ 10,210,244</u>	<u>\$12,398,483</u>	<u>\$ 22,608,727</u>

The following table provides a summary of the City's changes in net assets:
 Summary of Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charge for service	\$ -	\$ 1,959,921	\$ 1,959,921
General revenues			
Advalorem taxes	2,376,500	-	2,376,500
Sales tax	4,206,578	-	4,206,578
Licenses and permits	101,477	-	101,477
Intergovernmental revenues	137,278	-	137,278
Garbage fees	268,240	-	268,240
Fines and forfeits	246,882	-	246,882
Franchise tax	225,976	-	225,976
Interest	90,021	44,655	134,676
Grand Gulf	123,388	-	123,388
Drug Seizure	738,561	-	738,561
Miscellaneous	272,755	-	272,755
Assessments	48,390	-	48,390
Transfers	-	-	-
Total revenues	<u>\$ 8,836,046</u>	<u>\$ 2,004,576</u>	<u>\$ 10,840,622</u>
Expenses:			
General government	688,707	-	688,707
Police Department	2,962,535	-	2,962,535
Court Services	379,177	-	379,177
EOC Department	21,734	-	21,734
Fire Department	1,678,129	-	1,678,129
Street Department	1,140,510	-	1,140,510
Planning and Development	229,234	-	229,234
Sanitation Department	280,491	-	280,491
Parks and Recreation	815,322	-	815,322
Library	28,476	-	28,476
Urban Programs	45,585	-	45,585
Depreciation and transfer	(105,909)	-	(105,909)
Net Interest	208,611	-	208,611
Water and sewer	-	1,832,090	1,832,090
Total expenses	<u>\$ 8,372,602</u>	<u>\$ 1,832,090</u>	<u>\$ 10,204,692</u>
Change in net assets	463,444	172,486	635,930
Beginning net assets	9,874,418	12,225,997	22,100,415
Prior year grant not realized	(127,618)	-	(127,618)
Ending net assets	<u>\$ 10,210,244</u>	<u>\$ 12,398,483</u>	<u>\$ 22,608,727</u>

Financial Analysis of the City's Funds

Governmental funds: The focus of the City of Richland's governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,358,164. Of this year-end total \$3,407,941 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include \$(342,653) committed to debt service.

The total ending fund balances of governmental funds show a decrease of \$301,880 under the prior year. This includes a prior year grant not yet realized in the amount of \$127,218.

The general fund is the chief operating fund of the City of Richland. The fund balance of the City's general fund decreased by \$102,342 during the fiscal year ended September 30, 2010.

The debt service fund has a total fund balance of (\$342,653), all of which is reserved for the payment of debt service.

Proprietary funds: At the close of the fiscal year, the City of Richland's proprietary fund reported total net assets of \$12,398,483. Operating revenues totaled \$1,959,921 and operating expenses totaled \$1,815,408 resulting in operating income of \$144,513. After non-operating expenses of \$27,973, the change in net assets in the proprietary fund was an increase of \$172,486.

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended September 30, 2010 was \$12,937,244.

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 \$260,353. This increase can be briefly summarized as follows:

- \$353 for increase in the EOC Department for Capital Outlay
- \$120,000 for increase in the Police Department for Capital Outlay
- \$3,757 decrease in the Library for Contractual/Other Services
- \$3,757 increase in the Library for Capital Outlay
- \$10,000 increase in the Police Department for Consumable Supplies
- \$5,000 increase in the Police Department for Contractual Services
- \$125,000 increase in the Public Works Department for Capital Outlay

Of this net increase, \$125,000 from Lake Drive Reimbursement, \$170,000 from Drug Seizure Funds, \$15,353 from Miscellaneous Revenue and \$(50,000) from Homeland Security Funds.

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, 2010 was \$20,245,698 and \$18,441,977 respectively, resulting in the total capital assets of \$38,687,675. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2010 was \$16,456,095. (\$7,953,948 for government-type activities and \$8,502,147 for business-type activities) The balance in total net capital assets was \$22,608,727.

Debt Administration: At September 30, 2010, the City of Richland had \$5,741,228 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, capital improvement revolving loans and loans/leases.

General Fund revenue funded the Tax Increment Limited Obligation Bonds and Notes/Leases for \$362,630 for this fiscal year. Since the Tax Increment Limited Obligation Bonds were issued in 2000, the General Fund revenues have increased 68% from \$5,271,691 to \$8,836,046. The General Obligation Special Improvement Bonds are funded from assessments levied against the property owners benefited by this construction. A 2% Community Development Tax levied by Mississippi Legislature House Bill 1717 on April 16, 1998, generated 131% of the funds required for the debt service of the Mississippi Development Bank Special Obligation Bonds.

Enterprise Fund revenue provided funding of the Capital Improvements Revolving Loan and Notes/Leases for \$89,205 this fiscal year reported.

The City of Richland maintains an "A-" bond rating from Standard & Poor's. The State of Mississippi limits the amount of debt a city can issue to 15% of the assessed value of the taxable property within the City. The City's outstanding debt is significantly below its current limit of 11 million dollars.

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

Economic Factors and Next Year's Budget and Rates

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

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

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

1. *Beautification and Litter Control:* We will continue to use prison labor for the pickup of litter and trash in our city on the major byways. We will begin additional beautification measures throughout the city and amend/add ordinances that will enhance our city and its environment.
2. *Library Expansion:* We are aware that there is a definite need for more space due to the thriving children's programs. We will look at different options to help alleviate this problem.
3. *Police Department Expansion:* Plans have been developed to expand and improve our police department facilities.
4. *Parks and Recreation:* Plans are in the works to construct a concession/restroom/park attendant facility at Ronnie Bridges Westside Park and budgets have been approved to resurface parking areas and walking trails. With newly donated land near the Community Center the City plans to expand the walking trails and include pavilion areas for picnics. Our youth program will add summer activities for our younger youth.
5. *Senior Citizens:* As our Senior Citizen Program continues to grow, we are planning more activities and programs in the future. Our seniors are very important to the City and we certainly want them to enjoy their golden years here in Richland.
6. *Richland Town Square:* The City has completed the street and sidewalks to our new Town Square and will soon begin to install lights. We will also begin clearing a donated four (4) acre parcel and replant trees and shrubs. This land will be developed to provide room for more City facilities.
7. *Water Line Replacement:* The Water Department will soon begin installing new water lines in various areas within our service. Some of the work will be to replace old lines and some will be to improve lines and provide fire protection in areas that don't have fire hydrants.
8. *Highway 49 Expansion:* The City will be working with the Mississippi Department of Transportation to develop the Highway 49 expansion through the City.

9. *Streets Department:* The City is working with engineers on an elevated bridge proposed for the Kansas City Southern Railroad and to relocated Riverview Drive to accommodate the project.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF RICHLAND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,869,346	\$ 2,740,737	\$ 6,610,083
Receivables (net of uncollectible amounts)	4,273,903	170,607	4,444,510
Restricted cash and cash equivalents	92,347	196,448	288,795
Capital assets:			
Land and buildings	7,807,326	6,250	7,813,576
Improvements	7,165,510	17,245,642	24,411,152
Machinery and equipment	5,272,862	1,190,085	6,462,947
Accumulated depreciation	(7,953,948)	(8,502,147)	(16,456,095)
Total assets	<u>20,527,346</u>	<u>13,047,622</u>	<u>33,574,968</u>
<u>LIABILITIES</u>			
Accounts payable	159,733	88,651	248,384
Uncleared drug seizure	413,958	-	413,958
Customer deposits	-	196,265	196,265
Accrued salaries	89,563	8,501	98,064
Accrued vacation pay	241,604	27,111	268,715
Deferred revenue	3,999,626	-	3,999,626
Noncurrent liabilities:			
Due within one year	673,843	77,939	751,782
Due within more than one year	4,738,775	250,672	4,989,447
Total liabilities	<u>10,317,102</u>	<u>649,139</u>	<u>10,966,241</u>
<u>NET ASSETS</u>			
Invested in capital assets net of debt	6,879,132	9,611,219	16,490,351
Restricted for debt service	(49,777)	-	(49,777)
Unrestricted	3,380,889	2,787,264	6,168,153
Total net assets	<u>\$ 10,210,244</u>	<u>\$ 12,398,483</u>	<u>\$ 22,608,727</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue
		Charges for Services	Grants and contributions Operating	Capital	
Governmental activities:					
General government	\$ 688,707	\$ -	\$ -	\$ -	\$ (688,707)
Police Department	2,962,535	-	-	-	(2,962,535)
Court Services	379,177	-	-	-	(379,177)
EOC Department	21,734	-	-	-	(21,734)
Fire Department	1,678,129	-	-	-	(1,678,129)
Street Department	1,298,510	-	-	158,000	(1,140,510)
Planning and Development	229,234	-	-	-	(229,234)
Sanitation Department	280,491	-	-	-	(280,491)
Parks and Recreation	815,322	-	-	-	(815,322)
Library	28,476	-	-	-	(28,476)
Urban Programs	45,585	-	-	-	(45,585)
Depreciation and transfer	(105,909)	-	-	-	105,909
Net interest	208,611	-	-	-	(208,611)
Total governmental activities	8,530,602	-	-	158,000	(8,372,602)
Business-type activities:					
Water and sewer	1,832,090	1,959,921	-	-	127,831
Total primary government	\$ 10,362,692	\$ 1,959,921	\$ -	\$ 158,000	\$ (8,244,771)

Continued

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Assets:			
Net (expense) revenue	\$ (8,372,602)	\$ 127,831	\$ (8,244,771)
GENERAL REVENUES			
Advalorem taxes	2,376,500	-	2,376,500
Sales tax	4,206,578	-	4,206,578
Licenses and permits	101,477	-	101,477
Intergovernmental revenues	137,278	-	137,278
Garbage fees	268,240	-	268,240
Fines and forfeits	246,882	-	246,882
Franchise tax	225,976	-	225,976
Interest	90,021	44,655	134,676
Grand Gulf	123,388	-	123,388
Drug Seizure	738,561	-	738,561
Miscellaneous	272,755	-	272,755
Assessments	48,390	-	48,390
Total revenue	8,836,046	44,655	8,880,701
TRANSFERS:			
Operating in	-		-
Operating out	-		-
Total general revenues and transfers	8,836,046	44,655	8,880,701
Change in Net Assets	463,444	172,486	635,930
Net assets - beginning	9,874,418	12,225,997	22,100,415
Prior year grant not realized	(127,618)	-	(127,618)
Net assets - ending	\$ 10,210,244	\$ 12,398,483	\$ 22,608,727

See accompanying notes to the financial statements.

CITY OF RICHLAND

BALANCE SHEET

**GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash				
Cash on hand	\$ 33,348	\$ -	\$ -	\$ 33,348
Cash on deposit	3,567,759	92,347	268,237	3,928,343
	<u>3,601,107</u>	<u>92,347</u>	<u>268,237</u>	<u>3,961,691</u>
Receivables				
Other	435,000	1,946,135	-	2,381,135
Due from other governments	<u>306,883</u>	<u>-</u>	<u>24,639</u>	<u>331,522</u>
Total assets	<u>\$ 4,342,990</u>	<u>\$ 2,038,482</u>	<u>\$ 292,876</u>	<u>\$ 6,674,348</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 573,691	\$ -	\$ -	\$ 573,691
Accrued salaries	56,080	-	-	56,080
Accrued vacation pay	228,148	-	-	228,148
Due to other funds	-	435,000	-	435,000
Deferred revenue	77,130	1,946,135	-	2,023,265
Total liabilities	<u>935,049</u>	<u>2,381,135</u>	<u>-</u>	<u>3,316,184</u>
FUND BALANCES				
Reserved for debt service	-	(342,653)	292,876	(49,777)
Reserved for capital outlay	-	-	-	-
Unrestricted, undesignated	3,407,941	-	-	3,407,941
Total fund balances	<u>3,407,941</u>	<u>(342,653)</u>	<u>292,876</u>	<u>3,358,164</u>
Total liabilities and fund balances	<u>\$ 4,342,990</u>	<u>\$ 2,038,482</u>	<u>\$ 292,876</u>	<u>\$ 6,674,348</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET ASSETS**

SEPTEMBER 30, 2010

Total fund balance - total governmental funds	\$ 3,358,164
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$20,245,698, net of accumulated depreciation of \$7,953,948, are not financial resources and, therefore are not reported in the funds	12,291,750
GAAP to Budgetary conversion	(27,052)
Notes and bonds payable are not included in the funds	<u>(5,412,618)</u>
	<u>\$ 10,210,244</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Advalorem taxes	\$ 2,376,500	\$ -	\$ -	\$ 2,376,500
Sales tax	3,866,475	-	310,938	4,177,413
Licenses and permits	101,477	-	-	101,477
Inter-governmental revenues	137,278	-	-	137,278
Garbage fees	268,240	-	-	268,240
Fines and forfeits	246,882	-	-	246,882
Franchise tax	225,976	-	-	225,976
Interest	52,643	35,091	2,287	90,021
Grand Gulf	123,388	-	-	123,388
Drug seizure	738,561	-	-	738,561
Miscellaneous	430,755	48,390	-	479,145
Total revenue	<u>8,568,175</u>	<u>83,481</u>	<u>313,225</u>	<u>8,964,881</u>
EXPENDITURES				
General Government	684,355	-	-	684,355
Police Department	2,923,547	-	-	2,923,547
Court Services	376,104	-	-	376,104
EOC Department	21,734	-	-	21,734
Fire Department	1,679,105	-	-	1,679,105
Public Works	1,294,703	-	-	1,294,703
Planning and development	228,478	-	-	228,478
Sanitation Department	280,491	-	-	280,491
Parks and Recreation	807,939	-	-	807,939
Library	28,476	-	-	28,476
Urban Programs	45,585	-	-	45,585
Debt service - Principal	-	340,000	170,000	510,000
Debt service - Interest	-	187,613	67,273	254,886
Other	-	2,740	1,000	3,740
Total expenditures	<u>8,370,517</u>	<u>530,353</u>	<u>238,273</u>	<u>9,139,143</u>
Excess of revenues/expenditures	197,658	(446,872)	74,952	(174,262)
Operating transfers out	(300,000)	-	-	(300,000)
Operating transfers in	-	300,000	-	300,000
Net change in Fund Balance	<u>(102,342)</u>	<u>(146,872)</u>	<u>74,952</u>	<u>(174,262)</u>
Fund balance - Beginning	3,637,901	(195,781)	217,924	3,660,044
Prior year grant not realized	(127,618)	-	-	(127,618)
Fund balance - Ending	<u>\$ 3,407,941</u>	<u>\$ (342,653)</u>	<u>\$ 292,876</u>	<u>\$ 3,358,164</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

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

SEPTEMBER 30, 2010

Net change in fund balances - total government funds \$ (174,262)

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

**Revenue and expenses reported in the statement of activities do not
require the use of current resources and, therefore, are not reported
as revenue and expenditures in governmental funds.** (27,052)

Conversion of prior year budgetary accrual (1,169)

**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.** 112,474

**The net effect of various miscellaneous transactions involving capital
asset (i.e., sales, trade-ins) is the following amount.** (6,562)

**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.** 560,015

Change in net assets of governmental activities \$ 463,444

See accompanying notes to the financial statements.

CITY OF RICHLAND

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds Water & Sewer
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,740,737
Accounts receivable (net of uncollectible allowance)	170,607
Total current assets	<u>2,911,344</u>
Noncurrent assets:	
Restricted cash and cash equivalents:	
Customer deposits	<u>196,448</u>
Total restricted assets	<u>196,448</u>
Capital assets:	
Land	6,250
Improvements	17,245,642
Machinery and equipment	1,190,085
Accumulated depreciation	<u>(8,502,147)</u>
Total capital assets	<u>9,939,830</u>
Total noncurrent assets	<u>10,136,278</u>
Total assets	<u>13,047,622</u>

See accompanying notes to the financial statements.

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

LIABILITIES

Current liabilities:

Accounts payable	\$	88,651
Customer deposits		196,265
Accrued salaries		8,501
Accrued vacation pay		27,111
Current portion of long term debt		77,939

Total current liabilities		398,467
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Noncurrent liabilities:

Notes payable		250,672
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Total noncurrent liabilities		250,672
-------------------------------------	--	---------

Total liabilities		649,139
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NET ASSETS

Invested in capital assets, net of related debt		9,611,219
Unrestricted		2,787,264

Total net assets	\$	12,398,483
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CITY OF RICHLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds Water & Sewer
OPERATING REVENUES	
Charges for services	\$ 1,367,305
Service charges and other	592,616
Total operating revenue	<u>1,959,921</u>
OPERATING EXPENSES	
Personnel services	456,241
Supplies and materials	143,321
Sewer treatment	525,288
Depreciation	494,662
Other	195,896
Total operating expenses	<u>1,815,408</u>
Operating income	<u>144,513</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	44,655
Interest expense	(16,682)
Total nonoperating revenues (expenses)	<u>27,973</u>
NET INCOME	172,486
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>12,225,997</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 12,398,483</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Business-type Activities - Enterprise Funds Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and grants	\$ 2,029,292
Cash payments for goods and services	(866,647)
Cash payments (to) from employees	(451,044)
Net cash provided by operating activities	<u>711,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Appropriations (to) from restricted cash	11,735
Purchase of equipment from unrestricted cash	(598,735)
Borrowing on long term debt	-
Payments on long term debt	(89,204)
Net cash used in capital and related financing activities:	<u>(676,204)</u>
NET INCREASE IN CASH	35,397
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,705,340</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,740,737</u>
SUPPLEMENTAL DISCLOSURES	
Interest paid	<u>\$ 16,682</u>

- Continued -

See accompanying notes to the financial statements.

CITY OF RICHLAND
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

PAGE TWO

		Business-type Activities - Enterprise Funds Water & Sewer
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$	172,486
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		494,662
Changes in:		
Receivables		24,716
Payables and accrued liabilities		19,737
Net cash provided by operating activities	\$	<u>711,601</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

The city reports the following major government fund:

General Fund

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

Debt Service Fund

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

The City reports as non-major funds:

Capital Projects Fund

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

Community Development Fund

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

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Crime Prevention Fund

The Crime Prevention Fund accounts for the proceeds from state grants and the disbursements for authorized expenditures under the municipalities Crime Prevention Program.

The City reports the following as an enterprise fund:

Water and Sewer Fund

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

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

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

Receivables

Enterprise receivables

Enterprise fund receivable include amounts due from customers primarily for water and sewer services. There is an allowance for uncollectible accounts.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes receivable

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

Sales tax receivable

Sales tax receivable represents taxes that are received within thirty days from the State Tax Commission.

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vehicles	5
Office equipment	5
Computer equipment	5

Estimates

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

Property Taxes

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

Contributions in Aid of Construction

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

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave in proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

BUDGET BASIS OF ACCOUNTING

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

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

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

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 using the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds. Encumbrances outstanding at year end are recorded as reservations of fund balances and do not constitute expenditures or liabilities of the present year, because the commitment will be honored in the subsequent year.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	<u>General Fixed Assets 10-31-09</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets 9-30-10</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 1,320,775	\$ -	\$ -	\$ 1,320,775
Other capital assets				
General	1,982,974	21,650	21,808	1,982,816
Police protection	2,214,461	465,088	76,031	2,603,518
Fire protection	1,962,623	15,705	10,767	1,967,561
Public Works	7,129,079	484,024	40,629	7,572,474
Planning	74,988	360	315	75,033
Emergency Operations Center	143,057	20,792	-	163,849
Parks	3,985,612	64,486	2,990	4,047,108
Library	512,564	-	-	512,564
Total other capital assets	<u>18,005,358</u>	<u>1,072,105</u>	<u>152,540</u>	<u>18,924,923</u>
Total other capital assets at historical cost	<u>19,326,133</u>	<u>1,072,105</u>	<u>152,540</u>	<u>20,245,698</u>
Less accumulated depreciation for:				
General	(614,500)	(48,098)	21,660	(640,938)
Police protection	(1,333,829)	(240,805)	69,811	(1,504,823)
Fire protection	(1,179,249)	(87,212)	10,570	(1,255,891)
Public Works	(2,457,632)	(378,538)	40,629	(2,795,541)
Planning	(53,681)	(7,851)	315	(61,217)
Emergency Operations Center	(69,469)	(26,462)	-	(95,931)
Parks	(1,274,556)	(156,721)	2,990	(1,428,287)
Library	(157,376)	(13,944)	-	(171,320)
Total accumulated depreciation	<u>(7,140,292)</u>	<u>(959,631)</u>	<u>145,975</u>	<u>(7,953,948)</u>
Governmental activities capital assets, net	<u>\$ 12,185,841</u>	<u>\$ 112,474</u>	<u>\$ 6,565</u>	<u>\$ 12,291,750</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	<u>General Fixed Assets 10-31-09</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets 9-30-10</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 6,250	\$ -	\$ -	\$ 6,250
Other capital assets				
Improvements	16,693,892	551,750	-	17,245,642
Machinery and equipment	<u>1,145,712</u>	<u>46,985</u>	<u>2,612</u>	<u>1,190,085</u>
Total other capital assets at historical cost	<u>17,839,604</u>	<u>598,735</u>	<u>2,612</u>	<u>18,435,727</u>
Less accumulated depreciation for:				
Improvements	(7,427,307)	(432,286)	-	(7,859,593)
Machinery and equipment	<u>(582,790)</u>	<u>(62,376)</u>	<u>2,612</u>	<u>(642,554)</u>
Total accumulated depreciation	<u>(8,010,097)</u>	<u>(494,662)</u>	<u>2,612</u>	<u>(8,502,147)</u>
Business-Type activities capital assets, net	<u>\$ 9,835,757</u>	<u>\$ 104,073</u>	<u>\$ -</u>	<u>\$ 9,939,830</u>

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

Governmental activities	
General	\$ 48,098
Police protection	240,805
Fire protection	87,212
Public Works	378,538
Planning	7,851
Emergency Operations Center	26,462
Parks	156,721
Library	<u>13,944</u>
	<u>\$ 959,631</u>
Business- type activities	
Improvements	\$ 432,286
Machinery and equipment	<u>62,376</u>
	<u>\$ 494,662</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Bonds and notes payable at September 30, 2010, are comprised of:

GOVERNMENTAL ACTIVITIES

BONDS:

General Obligation bonds:

\$2,750,000 series 2000 Tax Increment Limited Obligation Bonds, bearing interest payable annually at rates varying from 5.25 to 7.00 percent.

Debt serviced by General Fund revenue.

\$ 1,250,000

\$2,800,000 series 2000 General Obligation Special Improvement Bonds bearing interest payable semi-annually at rates varying from 5.20 to 6.50 percent. The City issued this special assessment debt in 2000 to provide funds for the construction of an industrial park and related infrastructure. These bonds will be repaid from assessments levied against the property owners benefited by this construction.

1,780,000

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

1,820,000

\$ 4,850,000

NOTES/LEASES PAYABLE:

Trustmark National Bank, 3.94 percent lease, dated 12-30-02, payable over ten years. The proceeds were used to purchase a fire truck.

\$ 150,275

Priority One Bank, 3.219 percent lease, dated 05-12-08, payable over three years. The proceeds were used to purchase one vehicle.

3,313

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

286,846

Priority One Bank, 3.447 percent lease, dated 05-12-08, payable over three years. The proceeds were used to purchase six vehicles.

30,520

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

Trustmark National Bank, 3.00 percent lease, dated 05-04-10, payable over three years. The proceeds were used to purchase a vehicle. **\$ 18,886**

Trustmark National Bank, 3.00 percent lease, dated 05-04-10, payable over three years. The proceeds were used to purchase a 3 vehicles. **72,778**

\$ 562,618

BUSINESS-TYPE ACTIVITIES

NOTES/LEASES PAYABLE:

\$753,375 Capital Improvements Revolving Loan for water improvements, interest at the rate of 3.7 percent, principal and interest payments of \$5,460 payable monthly through the year 2013. Water and sewer department generates funds to cover operating costs and debt service by customer charges. If charges are insufficient to cover costs, charges are increased to cover such costs. **\$ 156,459**

\$250,000 Capital Improvements Revolving Loan for water improvements, interest at the rate of 2.0 percent, principal and interest payments of \$2,300 payable monthly through the year 2017. Water and sewer department generates funds to cover operating costs and debt service by customer charges. If charges are insufficient to cover costs, charges are increased to cover such costs. **172,151**

\$ 328,610

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonded debt outstanding as of September 30, 2010:

GOVERNMENTAL ACTIVITIES

<u>Year Ended September 30,</u>	<u>Special Obligation Principal</u>	<u>General Obligation Principal</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 535,000	\$ 138,843	\$ 253,042	\$ 926,885
2012	-	565,000	109,034	223,921	897,955
2013	-	595,000	101,228	193,249	889,477
2014	-	625,000	26,800	161,488	813,288
2015	-	650,000	28,072	129,795	807,867
Years Thereafter	<u>-</u>	<u>1,880,000</u>	<u>158,641</u>	<u>279,927</u>	<u>2,318,568</u>
	<u>\$ -</u>	<u>\$ 4,850,000</u>	<u>\$ 562,618</u>	<u>\$ 1,241,422</u>	<u>\$ 6,654,040</u>

BUSINESS-TYPE ACTIVITIES

<u>Year Ended September 30,</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ 77,939	\$ 8,213	\$ 86,152
2012	-	-	87,682	5,443	93,125
2013	-	-	63,343	2,741	66,084
2014	-	-	25,847	1,757	27,604
2015	-	-	26,369	1,235	27,604
Years Thereafter	<u>-</u>	<u>-</u>	<u>47,431</u>	<u>874</u>	<u>48,305</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,611</u>	<u>\$ 20,263</u>	<u>\$ 348,874</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

At September 30, 2010, the City of Richland had industrial development revenue bonds as follows:

\$6,500,000 Series 1991 at 9.7 percent interest
\$3,000,000 Series 1995 at 6.74 percent interest

Long-term debt does not include amounts for industrial revenue bonds issued to provide funds for direct financing leases to aid industries. Industrial revenue bonds issued under provision of state law do not constitute an indebtedness to the municipality.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

LIMITATION OF INDEBTEDNESS

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

The following is a schedule of limitations on the indebtedness of the City at September 30, 2010:

Authorized Debt Limit:	<u>15 Percent</u>
Assessed valuation for fiscal year then ended September 30, 2010 (\$100,437,355)	\$15,065,603
Present debt subject to 15 percent limitation	<u>1,820,000</u>
Margin for further indebtedness (under 15 percent limitation)	<u>\$ 13,245,603</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PENSION PLAN

Plan Description

The City of Richland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and City of Richland is required to contribute at an actuarially determined rate. The current rate is 12.0% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Richland's contribution to PERS for the year ending September 30, 2010, was \$508,029, equal to the required contributions for the year.

NOTE 5 - LITIGATION

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

NOTE 6 - COMMITMENTS AND CONTINGENCIES

On April 5, 1977, the Mayor and Board of Aldermen executed on behalf of the City, a contract with Richland Creek Watershed Drainage District providing for payment by the City of Richland of \$10,000 per year for 50 years on the District's \$550,000 Farmers Home Administration loan for the purchase of land for the construction of retention dams, all to be in lieu of the District assessing separately approximately 4,000 acres of land within the City.

During the year ended September 30, 2008, the City entered into an agreement with West Rankin Utility Authority to provide waste water treatment for 30 years. The city agreed to remit monthly payments representing the City's proportionate share of the Authority's annual budget.

CITY OF RICHLAND

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

NOTE 9 - INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Enterprise Fund records charges provided by the City as operating expenses and remits all garbage fees collected to the General Fund on a monthly basis. These operations have generated interfund receivable and payable balances representing amounts from September activity as well as transactions that occurred during the year. Transfers into the Debt Service Fund from the General Fund amounting to \$300,000 were recorded as transfers in the General 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 house trailer taxes and remits these funds to the City. The millage rate for the City for January through December, 2010 was 19.0 mills, all of which went to the General Fund.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2010, expenditures may have exceeded appropriations in the funds by various amounts as noted on schedules comparing actual expenditures to budget. Any overexpenditures are funded by available fund balance.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 30, 2011, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Revisions	Final Budget	Total Actual	Variance
REVENUES					
Advalorem taxes	\$ 2,951,000	\$ -	\$ 2,951,000	\$ 2,376,500	\$ (574,500)
Sales tax	4,000,000	-	4,000,000	3,866,475	(133,525)
Licenses and permits	130,000	-	130,000	101,477	(28,523)
Inter-governmental	182,342	-	182,342	137,278	(45,064)
Garbage fees	280,000	-	280,000	268,240	(11,760)
Fines and forfeits	300,000	-	300,000	246,882	(53,118)
Franchise tax	250,000	-	250,000	225,976	(24,024)
Interest	112,000	-	112,000	52,643	(59,357)
Grand Gulf	125,000	-	125,000	123,388	(1,612)
Drug seizure	350,000	170,000	520,000	738,561	218,561
Miscellaneous	501,450	90,353	591,803	430,755	(161,048)
Total revenue	9,181,792	260,353	9,442,145	8,568,175	(873,970)
EXPENDITURES					
General Government	775,050	-	775,050	684,355	90,695
Police Department	2,903,552	135,000	3,038,552	2,923,547	115,005
Court Services	438,866	-	438,866	376,104	62,762
EOC Department	35,000	353	35,353	21,734	13,619
Fire Department	1,846,498	-	1,846,498	1,679,105	167,393
Public Works	1,389,358	125,000	1,514,358	1,294,703	219,655
Planning and Development	301,100	-	301,100	228,478	72,622
Sanitation Department	285,000	-	285,000	280,491	4,509
Parks and Recreation	1,227,134	-	1,227,134	807,939	419,195
Library	39,500	-	39,500	28,476	11,024
Urban Programs	56,000	-	56,000	45,585	10,415
Total expenditures	9,297,058	260,353	9,557,411	8,370,517	1,186,894
Excess of revenues over (under) expenditures	(115,266)	-	(115,266)	197,658	312,924
Other financing sources (uses):					
Operating transfers out	(240,000)	-	(240,000)	(300,000)	60,000
Operating transfers in	385,000	-	385,000	-	385,000
Net change in Balance	29,734	-	29,734	(102,342)	(12,076)
Fund balance - Beginning	3,370,452	-	3,370,452	3,637,901	-
Prior year grant not realized	-	-	-	(127,618)	127,618
Fund balance - Ending	\$ 3,400,186	\$ -	\$ 3,400,186	\$ 3,407,941	\$ 115,542

See accountants' report.

SUPPLEMENTARY INFORMATION

CITY OF RICHLAND

**SCHEDULE RECONCILING ORIGINAL ADVALOREM
TAX ROLLS TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2010**

Adjusted Assessed Valuation:

City:

Realty	\$ 58,463,939		
Personal-other than auto	25,775,786		
Public utilities	3,175,022		
Personal-auto (remitted by county)	12,432,120		
Mobile homes	<u>590,488</u>		
Total city @ 19.0 mills	100,437,355	\$ 1,908,310	
Less: Homestead exemption allowed	(2,663,669)	<u>(50,610)</u>	\$ 1,857,700
Add: Actual homestead reimbursed		24,019	
Prior year tax collection		40,552	
Penalties & interest on delinquent taxes		8,410	
Road, truck and rail taxes		<u>535,810</u>	608,791
Deduct: County tax collector's commissions			<u>(13,342)</u>
Total to be accounted for			<u>\$ 2,453,149</u>

Credits:

Collections allocated for General Fund			\$ 2,376,500
Landsale			-
Balance represented by:			
Unpaid property taxes	\$ 61,269		
Unaccounted for		<u>15,380</u>	<u>76,649</u>
Total to be accounted for			<u>\$ 2,453,149</u>

See accountants' report.

CITY OF RICHLAND

**SCHEDULE OF CHANGES IN LONG-TERM DEBT
SEPTEMBER 30, 2010**

General Obligation Bonds	Balance 10-01-09	Transactions During Fiscal Year		Balance 09-30-10
		Issued	Redeemed	
2000 \$2,750,000 tax increment limited obligation bonds	\$ 1,460,000	\$ -	\$ 210,000	\$ 1,250,000
2000 \$2,800,000 general obligation special improvement bonds	1,910,000	-	130,000	1,780,000
2008 \$2,025,000 general obligation refunding bonds	<u>1,990,000</u>	<u>-</u>	<u>170,000</u>	<u>1,820,000</u>
Total bonds payable	<u>5,360,000</u>	<u>-</u>	<u>510,000</u>	<u>4,850,000</u>
Loan/Lease Payable				
Trustmark National Bank - 3.94% firetruck lease dated 12-30-02	196,620	-	46,345	150,275
Priority One Bank - 3.219% vehicle lease dated 05-12-08	8,150	-	4,837	3,313
1996 \$753,375 water improvements loan	219,792	-	63,333	156,459
MS Department of Economic & Community Development - 2.00% capital improvement loan 7-1-07	198,023	-	25,872	172,151

See accountants' report.

CITY OF RICHLAND

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - PAGE 2
SEPTEMBER 30, 2010**

<u>Loan/Lease Payable - Con't</u>	<u>Balance 10-01-09</u>	<u>Transactions During Fiscal Year</u>		<u>Balance 09-30-10</u>
		<u>Issued</u>	<u>Redeemed</u>	
MS Department of Economic & Community Development - 4.65% capital improvement loan 8-1-00	\$ 309,109	\$ -	\$ 22,263	\$ 286,846
Priority One Bank - 3.447% vehicle lease dated 05-12-08	74,990	-	44,470	30,520
Mississippi State Tax Commission 4.0% implied dated 5-15-06	16,495	-	16,495	-
Trustmark National Bank - 4.42% mower lease dated 8-08-07	7,269	-	7,269	-
Trustmark National Bank - 3.00% vehicle lease dated 5-04-10	-	21,142	2,256	18,886
Trustmark National Bank - 3.00% vehicles lease dated 5-04-10	-	81,473	8,695	72,778
Total loan/lease payable	<u>1,030,448</u>	<u>102,615</u>	<u>241,835</u>	<u>891,228</u>
Total long-term debt	<u>\$ 6,390,448</u>	<u>\$ 102,615</u>	<u>\$ 751,835</u>	<u>\$ 5,741,228</u>

See accountants' report.

CITY OF RICHLAND

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS
SEPTEMBER 30, 2010**

Name	Position	Company	Bond
Clay Burns	Alderman	Western Surety	\$ 100,000
Robert Craft	Alderman	Western Surety	100,000
Pat Sullivan	Alderman	Brierfield Insurance Company	100,000
Bob Wedgeworth	Alderman	Brierfield Insurance Company	100,000
Cathey Wynne	Alderman	Brierfield Insurance Company	100,000
Melinda Quick	City Clerk	Western Surety	50,000
Virginia Sanford	Deputy clerk	Western Surety	50,000
Holly Roberts	Court clerk	Brierfield Insurance Company	50,000
Mindy Sullivan	Deputy clerk	Brierfield Insurance Company	50,000
Glen Thomas	Water Dept. Manager	Western Surety	50,000
Russel James	Chief of Police	Western Surety	50,000
Teri Wood	Events Coordinator	Western Surety	50,000
Richard Hawthorne	Park Director	Western Surety	50,000
Belinda Kilpatrick	Court Clerk	Western Surety	50,000
Michael Furini	Deputy Court Clerk	Western Surety	50,000
Raymond Holland	Assistant Chief of Police	Western Surety	50,000
Sandy Boteler	Deputy Court Clerk	Western Surety	50,000
Allison Clark	Deputy Court Clerk	Western Surety	50,000
James D. King	Deputy Court Clerk	Western Surety	50,000
Thomas Guy Smith	Youth Coordinator	Western Surety	50,000
Mandy Lambert	Receptionist	Western Surety	50,000
Jason Sutphin	Water Manager Trainee	Western Surety	50,000
Blanket bonds	Police Officers	State Auto Insurance Companies	50,000
Blanket bonds	All other city employees	State Auto Insurance Companies	50,000

See accountants' report.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF GENERAL PURPOSE
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
Jessica Lea Minter, CPA, PFS, CFP

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Richland, Mississippi, for the year ended September 30, 2010 which collectively comprise the City of Richland, Mississippi's basic financial statements and have issued our report thereon dated April 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Richland, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Richland, Mississippi's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Richland, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a

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

misstatement of City of Richland, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by City of Richland, Mississippi's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Richland, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Honorable Mayor, Board of Aldermen, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Lyle Walker & Co., P.A.

April 30, 2011

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

Lyle, Walker & Co., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited the general purpose financial statements of the City of Richland, Mississippi, as of and for the year ended September 30, 2010 and have issued our report dated April 30, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Lyle Walker & Co., P.A.

April 30, 2011